

FINANCIAL TIMES

Europe's leading newspaper

WEEKEND AUGUST 7/AUGUST 8 1993

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López asked for
'clear statement' at
VW crisis meeting

Volkswagen's production director, José Ignacio López de Arriortúa, was last night asked to make a "clear statement" on allegations that he stole industrial secrets from his former employer, General Motors of the US.

Gert Schröder, prime minister of the state of Lower Saxony, which owns 19.7 per cent of the automotive group, urged Mr López and VW chairman Ferdinand Piëch to address a crisis meeting of the company's non-executive supervisory board. Page 22

Eastman Kodak directors oust chairman



Independent directors of Eastman Kodak, the photographic equipment company, have forced the resignation of Kay Whitmore (left), its embattled chairman, president and chief executive. The move comes after weeks of debate over how the group should restructure its operations to improve financial and stock market performance. Page 10

Hoover wins court case: Hoover won the first case to come to court as a result of its controversial free flights promotion. However, the company was criticised by the court for "slackness." Page 23

German jobs rate rises: West Germany's unemployment rate jumped from 7 to 7.5 per cent last month as companies took advantage of summer breaks and vacations to lay off employees working on short-time schedules. Page 2

UN commander criticises air threats: Allied threats to carry out air strikes against Serbian positions in Bosnia were thrown into fresh confusion when Gen Francis Briquemont, UN commander for Bosnia, attacked the proposals. Page 2

Loophole may aid fuel consumers: A legal loophole could enable British consumers to avoid paying value added tax on domestic fuel, if they pay their gas or electricity bills in advance before VAT is imposed next April. Page 22

Group Lotus: Lotus, the sports car maker and automotive engineering consultancy, reported a pre-tax loss of £28.6m in 1992 compared with £11.7m a year earlier. General Motors of the US is negotiating to sell the company. Page 8

Tibet holds 'cordial' talks: The Tibetan Government-in-exile, headed by the Dalai Lama, has held "frank and cordial" talks in Beijing with the Chinese government, according to a statement from its office in London. Page 3

Robber flees with up to £1m: An armed robber escaped with up to £1m after holding up a security van as it made a delivery at the Royal Mail depot in Romford, Essex.

MP appeals for calm: Bernie Grant, the Labour MP for Tottenham, has appealed for calm at a march today in north London in memory of Joy Gardner who died after a struggle with police officers serving her with a deportation order.

Nadir sale raises £73,309: A sale of contents of fugitive businessman Asil Nadir's Belgravia home raised a total of £73,309 at Christie's, London, three times more than the bankruptcy trustees had expected. Page 4

Inquiry into taxi driver's death: The Police Complaints Authority launched an investigation into the death of taxi driver Mohammed Nazir, who collapsed while police were inspecting his cab at a council depot in Slough, Berkshire.

Council fined over tenant's death: Manchester City Council was fined £25,000 by a magistrate after a 75-year-old tenant died from carbon monoxide poisoning caused by one of hundreds of gas heaters wrongly installed by the council's direct works department.

A changing of the guard: Buckingham Palace opens 18 of its staterooms to the public for the first time today. When the eight-week opening period ends, some 400,000 people are expected to have visited. The £8 entry fee will help the Queen raise almost £3m towards the restoration of Windsor Castle. Cheap money is no bargain. Page 7; Behind the Queen's curtains, Weekend Page XVIII

STOCK MARKET INDICES	STERLING
FT-SE 100: 2868.8 (+25.4)	New York: 4895
Yield: 3.85	
FT-SE Eurotrack 100: 1272.34 (+3.78)	London: 1,491 (1,491)
FT-SE All-Share: 1473.92 (+0.9%)	DM: 2,542.5 (2,542)
Nikkei: 20,557.94 (+0.77)	FF: 8,597.5 (8,597)
New York: 4,895 (+25.4)	S&P: 2,247.5 (2,247)
Dow Jones Ind: 3,540.52 (+0.58)	S&P Composite: 147.88 (147.88)
S&P 500: 447.88 (+0.58)	Euro: 81.2 (81.2)
US LUNCHTIME RATES	
Federal Funds: 2.125%	
3-mo T-bill: 3.089%	
Long Bond: 107.1	
Yield: 6.557%	
LONDON MONEY	
3-mo Interbank: 4.125% (4.125)	
Little long bill future: Sep 1113 (Sep 1113)	
NORTH SEA OIL (August)	
Brent 15-day (Sep): 216.46 (16.65)	
Gold	
New York Comex (Aug): 377.5 (377.5)	
London: 377.5 (377.5)	
Tokyo close: 104.25	

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Clinton battles for support in Senate budget bill vote

By Roger Matthews
in Washington

PRESIDENT Bill Clinton last night faced a decisive vote in the US Senate that will make or break his compromise bill to slash the US budget deficit by \$496bn (£321.8bn) over the next five years.

Democrat leaders feared yesterday the Senate outcome might need the tie-breaking vote of Vice President Al Gore.

Hours earlier, the bill scraped through the House of Representatives with a majority of only two

votes. Democrats said the vote last night might be even closer. The bill must be passed by both the House and Senate.

As the final speeches began, party managers were still not totally confident of victory.

The result in the House the night before had been in doubt with Mr Clinton making a vital telephone call to a wavering congresswoman only 15 minutes before the vote.

Mrs Marjorie Margolis-Mezvinsky, who had said she would vote against the bill, then switched sides and to Democrat

appliance gave Mr Clinton his majority, 218-216. Had she stuck to her original intention, the bill would have been a vote short of the required 218 and Mr Clinton's presidency would have suffered its single most serious reverse.

Mr Clinton has campaigned intensively for the bill which will raise \$241bn in revenue, largely by raising income tax for the wealthiest Americans, and imposing \$255bn in spending cuts, to fall heavily on the military.

However, the president has failed to convince many Americans that his proposals will

not damage the living standards of middle-income families, as asserted by Republicans who have unanimously opposed the bill in both houses, describing it as the biggest tax increase in US history.

Mr Clinton has also faced opposition within the conservative wing of his own party which wants deeper spending cuts to achieve a more substantial deficit reduction. On Thursday night in the House, 41 Democrats opposed the compromise bill compared with 38 when the first version of the legislation was passed.

It was a Democrat, Senator Bob Kerrey of Nebraska, who yesterday appeared to hold the key to the Senate vote. With 49 votes apparently assured for the bill, a "yes" from Mr Kerrey would tie the vote and give Mr Gore the opportunity to pass the measure. Mr Kerrey, a former candidate for the presidential nomination, is well known for the length of time he takes to reach important decisions, earning him the nickname of "Cosmic Bob". He was called to the White House to see Mr Clinton yesterday and discuss what further assurances he

required on future spending cuts in order to support the bill.

After the meeting Senator Kerrey declined to explain why he was delaying a decision. "It does not serve me very well, or the public, to get into a discussion of what my internal thought processes are," he declared.

Mr Clinton said after the House vote: "I will continue to fight for this economic package with everything I have." He added: "The margin was close but the mandate clear." With a positive Senate vote the country would "enter a new era of growth".

Brussels
calls for
greater EC
co-operation

By James Blitz in Brussels

THE EUROPEAN Commission yesterday issued a warning to all 12 European Community member states that they must reinforce co-operation or risk losing any chance of achieving economic and monetary union in the foreseeable future.

At an emergency meeting to discuss the crisis over European monetary policy, the Commission

credibility of European construction," the communiqué said.

The clear implication was that, as European currencies float more freely, after the widening of bands in which ERM currencies may fluctuate, there is a greater chance of nations indulging in competitive devaluations of their currencies to boost export share in the single market.

Mr Henning Christopherson, the European commissioner for financial affairs, said: "We want to underline how serious the situation now is in the Community."

Yesterday's meeting was described as "grave but collegial" by a Commission spokesman. However, it is likely that more detailed discussion of the implications of the currency crisis would have been difficult because three of the 17 commissioners were absent from yesterday's meeting, including the two Germans Mr Martin Bangemann and Mr Peter Schmudde.

One of the French commissioners, Mrs Christine Scrivener, responsible for EC tax policy, was also absent on vacation.

The Commission underlined the importance of the assessments that it is due to make before the end of the year on the progress of European economic and monetary co-operation.

These assessments will be accompanied by a "white paper" which the Commission is planning to submit to member states at the Brussels summit in December, and which will deal with problems of competition, growth and employment in Europe.

According to Maastricht, assessments must be made before stage 2 of the ERM timetable can begin on January 1 1994.

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■ French cautious over rapid cuts in interest rates

Page 6

■ Man in the News: A foreign exchange dealer

■ Fated to share same cage

Victorian values Page 7

Currencies Page 11

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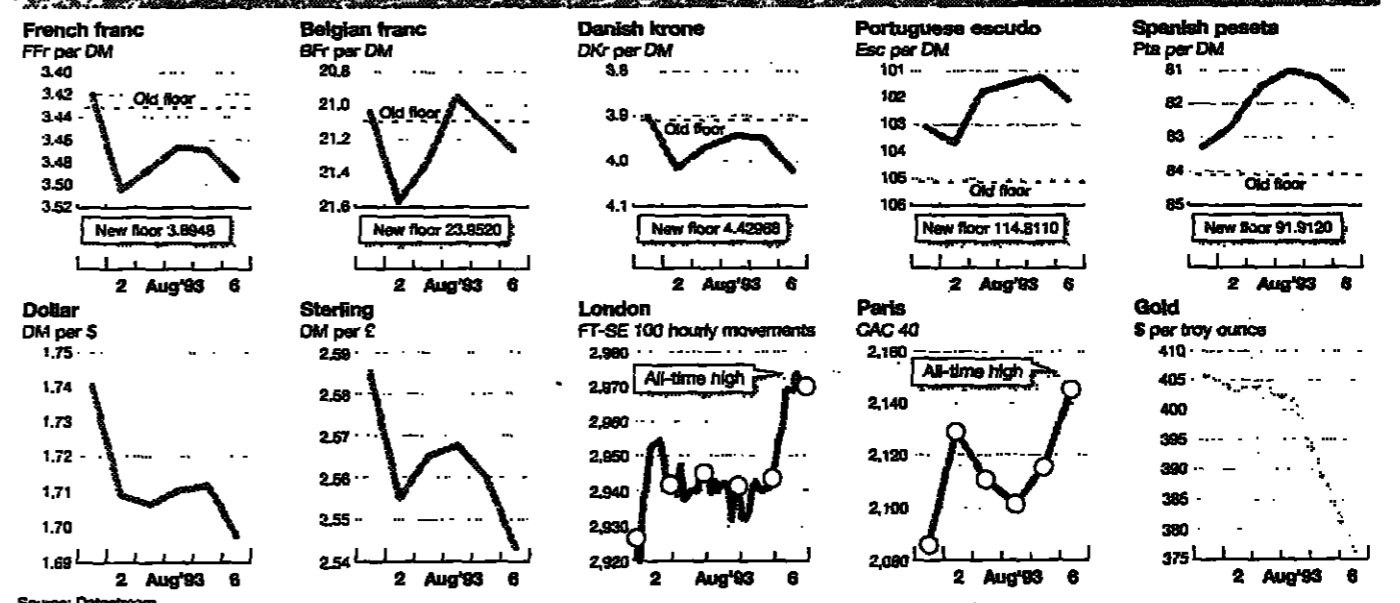
Investors' outlook Wkd III

underlined the serious threat to both monetary union and the single market programme after last weekend's relaxation of the exchange rate mechanism.

The Commission did not say the timetable for ERM as set out in the Maastricht treaty had been derailed by the currency market turmoil, but in a communiqué released after its meeting, it issued a "solemn appeal" to the 12 governments to reinforce their co-operation in all fields.

"The Commission in no way underestimates the gravity of the events which have weakened the

Week of Europe's brave new world: the dogs that didn't bark



LONDON shares closed at a record high on beliefs that the European exchange rate mechanism will soon allow interest rate cuts.

The FT-SE 100 index finished at 2,868.8, up 26.4 points on the day and UK gilts closed 1

point up. The Paris bourse also ended 1.6 per cent higher at a record close.

The D-Mark gained against most other European currencies as central banks replenished their reserves of the German currency.

Although the French and Belgian francs and the Danish krone all finished below their old floors against the D-Mark, their falls were constrained by signs that governments are in no rush to cut borrowing rates.

Hosokawa elected as Japan's PM

By Robert Thomson in Tokyo

MR Morihiro Hosokawa, the head of a seven-party coalition, was chosen as Japan's prime minister last night, but only after the Liberal Democratic party extended its 38-year rule by a few hours with delaying tactics that forced a second parliamentary vote for the leadership.

"One era has finished, and another era has begun," Mr Hosokawa said. "I feel a great sense of history and a heavy weight of responsibility."

The final seal of approval comes on Monday when Mr Hosokawa formally reports his appointment to Emperor Akihito.

Last night, Liberal Democrat MPs thumped the opposition benches for the first time in post-war history and shouted abuse at the incoming government.

The generally conservative coalition includes Mr Hosokawa's Japan New party and several other mainstream parties, along with the Social Democrats, formerly the Socialist party, and Komeito, the political arm of a

Buddhist movement. All have pledged to introduce a new electoral system within a year.

Japanese financial markets were calm in expectation of the coalition's taking power, but business leaders warned that parliamentary delaying tactics by the LDP in the past two days could characterise coalition rule.

Mr Hosokawa, 55, is grandson of a wartime prime minister, and a former provincial governor. He formed the Japan New party only a year ago and has risen to the premiership on a wave of public revulsion over bribery and other

scandals involving the LDP. He said after the vote last night the new government would "look towards the people, not towards Nagatocho [the Tokyo political district]".

He is expected to announce his cabinet on Monday.

Mr Hosokawa's election was presided over by Ms Takako Doi, the former socialist leader who became the first woman to be selected as speaker of the lower house. The first poll was declared void as MPs claimed their votes had not been counted, and a second poll declared Mr Hosokawa's victory two hours later.

Mr Hosokawa defeated Mr Yohei Kono, the LDP president, by 232 votes to 224 votes.

Apart from political reform, the coalition will have to deal with a still-slowing economy, the Uruguay Round of trade negotiations, and US demands for further opening of the Japan's markets. The parties have also promised to seek a full reconciliation with other Asian countries by clearly apologising for wartime aggression.

Japan's bureaucrats fear new division of labour, Page 3

TV-am seeks better luck at
the tables of Crockfords Plc

By Raymond Snoddy

MR GARRY NESBITT was trained as a tap dancer by his show business parents but it was business he was interested in, so he took a gamble and applied for a job at Crockfords when it opened as London's first legal casino in 1991.

As a gaming room valet dressed in 18th century breeches, he smoothed the green baize of the tables and served chocolates to the ladies playing chemin-de-fer.

Yesterday Mr Nesbitt, chairman of Crockfords, was looking forward to being chairman of Crockfords Plc when the company is listed on the London Stock Exchange on September 1. It follows yesterday's reverse

takeover by TV-am, the commercial breakfast television company that gambled and lost in 1991's auction for new ITV licences.

The deal will make Mr Nesbitt, who along the way ran casinos for Mecca and created and sold the Our Price record chain to

Taking a gamble Page 8
Lex Page 22

W.H. Smith for £46m, as rich as many of the international gamblers to come to Crockfords in the heart of London's Mayfair.

In Crockfords, under the Robert Adam ceilings of a house built in 1750, it is possible to lose a great deal of money and some do - £500,000 or even £1m in a single night. The lowest bet you

can place at Crockfords is 25 on a single number at roulette, although the £800 limit gives a better idea of what goes on.

"You can bet more by private arrangement," says Mr Nesbitt who then unlocks the door of the salon privée, where the really high rollers can go if they want solitude and silence to win or lose enormous sums.

Here, surrounded by prints and pictures, the minimum bet on the roulette wheel is £1,000.

When Mr Nesbitt bought Crockfords in 1990 from Brent Walker for £50m it was a huge gamble. "It was a mid-market casino," he says. "It was virtually a down-market casino. People were playing for £2. It was

Continued on Page 22

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فكر من الاصل

NEWS: INTERNATIONAL

Short-timers laid off over holidays

Jump in German unemployment

By Ariane Genillard in Bonn

WEST Germany's unemployment rate jumped from 7 to 7.5 per cent last month as companies took advantage of summer breaks and vacations to lay off employees working on short-time schedules.

The number of west Germans unemployed reached a seasonally adjusted 2.3m in July, an increase of 159,000 over June. Nearly half a million more people were unemployed last month than in July 1992.

The number of people on short-time work in the west decreased by 41.5 per cent, from 879,191 people to just over a half a million, last month. Short-time workers are defined as employees who stay on their companies' payrolls but work less than the normal 38 hours per week. Part of their salary is covered by the federal labour office.

"This shows that hidden

unemployment in Germany is now increasingly turning into real unemployment," Mr Michael Fuchs, president of the German Association of Wholesale Exporters, the BGA, said.

Economists have warned that unemployment statistics do not take account of workers who remain on payrolls through short-time work or retraining schemes. Many say this so-called "second labour market" would considerably boost the unemployment rate if the recession continued and these workers were made redundant.

The number of workers in retraining programmes and job creation schemes also dropped slightly in the west to 369,797, continuing its downward trend since the beginning of the year.

Similar figures surfaced in east Germany, where the unemployment rate jumped to 15.3 per cent, compared with 14.4 in the previous two months. An additional 86,800

people were reported to be jobless, bringing total unemployment to 1.6m.

The number of people on short-time work fell by 22.5 per cent to 155,331. People in retraining programmes and job creation schemes also decreased by more than 60,000 to 691,713.

The overall number of people leaving these schemes is likely to continue to increase steadily this year after the federal labour office announced in February it could no longer finance new programmes because of the widening deficit between contributions from the employed and unemployment benefit payments.

German inflation rose by 0.2 percentage points in July to 4.3 per cent year-on-year, confirming provisional figures indicating a modest rise in the cost of living due to high rents and service costs as well as an increase in taxes on insurance premiums, introduced on July 1.

Beer row with Canada settled

THE US and Canada have reached agreement on a long-running dispute that Ontario beer retailers, owned by Canadian breweries, also will sell American beer, Nancy Dunne writes from Washington.

Canada has agreed to eliminate its tariff on US beer - 16 cents a litre - and to lower Ontario's minimum beer price. But it will not remove Ontario's 10 cents-a-unit levy on beer sold in cans, which is intended to encourage the use of re-usable glass bottles.

Large American breweries are unhappy with the settlement, which they say allows the use of environmental measures as trade barriers, and they worry that it will be limited by other countries.

Canadian brewers said that the decision "allows the industry on both sides to end the uncertainty and get back to the business of selling beer".

Slow creation of jobs in US

By Nancy Dunne in Washington

THE slow US recovery last month generated about 162,000 civilian jobs, lowering the unemployment rate from 7 per cent in June to 6.8 per cent, according to the US Labour Department.

The figures were consistent with other economic news of the week which showed the economy recovering slowly. Republicans seized on the news to claim that President Bill Clinton's budget plan, if passed by the Senate, would push the economy back into recession.

Most economists say the economic plan will have virtually no effect on either employment or the economy. The Global Securities Research and Economics Group of Merrill Lynch & Co yesterday issued an analysis suggesting Mr Clinton may actually meet his campaign promise of creating 8m jobs during his administration.

Most of the jobs created in July were in low-paying sec-

tors, say Merrill Lynch. "During the past year, temporary help, health services, other services and restaurants each accounted for nearly 25 per cent of private payroll gains, with other sectors contributing almost nothing."

Mr William Barron, deputy commissioner of labour statistics, says the better-paid manufacturing sector continued to lose jobs last month, but the loss of 13,000 was much smaller than in the previous three months and the declines were concentrated in fewer industries than previously.

Many economists believe the worst is over for the US economy on the unemployment front. Although there will still be heavy lay-offs, the savings and loan bail-out is nearing an end and many companies have completed painful restructuring. Last month the finance sector added 14,000 jobs.

Analysts say the floods in the Midwest will affect workers in devastated communities and temporarily displace many from their jobs.

Bosnia air strikes disarray



Bosnian Serb soldiers under Moslem sniper fire run for cover near the northern Bosnian town of Brcko

By Gillian Tett in London and Laura Silber in Geneva

ALLIED threats to carry out air strikes against Serbian positions in Bosnia were thrown into fresh confusion yesterday when General Francis Briguemont, UN commander for Bosnia, strongly criticised the proposals.

Speaking in Sarajevo, Gen Briguemont warned that the strikes would complicate the situation on the ground and could endanger the lives of the UN troops currently in Bosnia. His concern was echoed by Lord Owen, international mediator, who said that independent Nato action to lift the 16-month siege would destroy any future co-operation between the UN and Nato.

"I am totally and absolutely opposed in the circumstances of Yugoslavia to be trying to work outside the framework of the UN and the UN Security Council and the secretary general," Lord Owen said, adding that the threat of air strikes had contributed to the breakdown of the Geneva peace talks this week.

The criticism came as Mr Warren Christopher, US secretary of state, met Mr Manfred Wörner, Nato secretary-general, at the Aviano allied air base in Italy to discuss logistics for the air strikes.

The Nato council of ambassadors is to meet in Brussels on Monday to finalise the plans. Last Tuesday, the council threatened to bomb Serbian artillery positions around Sarajevo if the Bosnian Serbs did not lift their "stranglehold" on the city.

Logistical plans for the air strikes are being finalised at meetings of Nato officers at allied military headquarters in Mons, Belgium, this weekend.

In an apparent attempt to defuse the allied threat and take the moral high ground in the peace negotiations, Bos-

nian Serb leaders yesterday repeated their offer to withdraw from two strategic mountains which they seized this week.

Bosnian President Alija Izetbegovic has said he will not return to the Geneva negotiations, scheduled to resume on Monday, unless the Serbs carry out their promise to withdraw.

But after General Ratko Mladic, Bosnian Serb military commander, and General Rasim Delic, head of the mainly Moslem Bosnian army, met for talks at Sarajevo airport on the Serb withdrawal from the two mountains, they failed to agree on a solution for the handover of positions.

In Geneva, Lord Owen said he still hoped the peace negotiations would restart on Monday, and re-presented a proposed constitution for tripartite division of Bosnia. But he warned that although there had been progress over a map for the country's ethnic division, negotiations over the future status and division of Sarajevo were deadlocked.

"It remains the biggest obstacle," he said, adding "there is not at the moment any sight of agreement." He said Serb and Croat leaders had agreed to give Moslems, the biggest ethnic group, some 30 per cent of the land of Bosnia-Herzegovina.

Echoing widespread allied concerns, the British Foreign Office said it would push for the Nato meeting on Monday to consider the state of the peace negotiations in Geneva before any plans for air strikes were formulated.

UN relief officials yesterday warned that Sarajevo, mostly without water and electricity, this week would run out of fuel if aid routes were not opened.

Gen Briguemont announced the UN would be seeking to re-open aid corridors for a new humanitarian initiative to prepare Sarajevo for the winter.

Moscow sticks with reforms

By Leyla Boulton in Moscow

THE divided Russian government yesterday stuck to its middle-of-the-road reform course, throwing out command-style economic plans from Mr Oleg Lobov, the first deputy prime minister.

But it also approved credit expansion targets which exceed those agreed with the International Monetary Fund.

At an expanded cabinet meeting attended by heads of Russia's 89 regions and republics, Prime Minister Viktor Chernomyrdin presented and received approval for a medium-term programme which forecasts economic recovery in

1996. He warned that "government leaders" at odds with cabinet policy would have to step down although it was not clear whether he was referring to Mr Lobov or to Mr Boris Fyodorov, the radical finance minister, who has attacked a botched monetary reform endorsed by the prime minister.

Mr Sergei Vasiliev, head of the government centre for monitoring economic reform and one of the programme's authors, said "it neither added nor subtracted anything" to reform.

The cabinet, however, adopted a resolution setting credit growth at 30 per cent in

the third and fourth quarter. This compares with targets of 30 and 15 per cent agreed with the IMF. The programme, however, still aims to cut inflation and the budget deficit to levels agreed with the Fund.

Reformers drew at least some comfort from the rejection on the eve of the cabinet meeting of an alternative programme which would have re-imposed centralised economic planning. It was drawn up by Mr Lobov, who was appointed by President Boris Yeltsin to appease conservatives before the unexpected referendum victory in April.

Yesterday's parallel sessions of the cabinet and parliament

had been billed as a potential showdown between conservatives and reformers. The most dramatic event of the day was parliament's decision to suspend Mr Yeltsin's latest decree overriding parliament's cancellation of his measures to speed privatisation. Mr Anatoly Chubais, the privatisation minister, promised swift but unspecified "counter-measures".

And despite calls by Mr Ruslan Khasbulatov, the parliamentary chairman, for the punishment of those "guilty" of the central bank's crude monetary reform, parliament passed the mildest resolutions on the bank-note operation, saying it was understandable.

No new Hermes credits for Russia

By Judy Dempsey in Berlin

GERMANY'S federal Economics Ministry will not extend new export credit guarantees to Russia. However, the decision will not apply to other countries of the former Soviet Union.

A spokesman for the ministry said the risk in extending fresh Hermes credits to Russia was too great for the German gov-

ernment to bear. By the end of next month, Russian enterprises will owe DM500m (£194.5m) in interest payments on imports bought from Germany. Total exposure by the Hamburg-based export credit insurance agency to the former Soviet republics is about DM30bn.

Bonn had last year already placed a ceiling of DM5bn on the amount of credits available to Russian and companies from

other republics importing from west German enterprises. It also insisted that German exporters had to show that what they were exporting would help generate foreign exchange earnings for former Soviet republics, and/or prevent an east German enterprise from collapsing.

Export credits to the whole of the former Soviet Union amounted this year to DM4bn.

Gardini 'admitted irregularities'

By Haig Simonian in Milan

MR Raul Gardini, the Italian entrepreneur who committed suicide last month, reportedly confirmed in a letter to Milan magistrates many alleged financial irregularities at Ferruzzi.

Italy's second-biggest industrial company, while he led the company.

The allegations were made in leaked testimony by Mr Giuseppe Garofano and Mr Carlo Sama, two former Ferruzzi executives arrested last month.

The letter, extracts of which were released yesterday before publication in the Panorama news magazine, appear to confirm allegations of a substan-

tial shortfall in Ferruzzi's accounts as a result of undeclared borrowings and attempts to cover up losses.

Mr Gardini's letter added to a shortfall of \$250m to \$270m (£181.2m) in Ferruzzi's accounts by July 1991. That was when Mr Gardini's wife, a daughter of Ferruzzi's founder, sold her shares in the family holding company which controls Ferruzzi.

Mr Gardini is reported to have admitted in his letter that the shortfall corresponded to losses Ferruzzi had incurred in US commodity futures trading in 1989. Only about \$150m of the losses were disclosed in Ferruzzi's 1990 accounts. Other

executives have alleged Mr Gardini authorised them to cover up the remainder.

The losses were hidden by so-called "back-to-back" financings, using a Swiss-based financial intermediary who had traditionally worked for the Ferruzzis.

The system worked by using non-consolidated subsidiaries of Ferruzzi's Montedison industrial subsidiary to take out bank loans, which would then be used either to plug losses elsewhere in the Ferruzzi business or to finance projects which Mr Gardini wanted to keep off the group's balance sheet.

The admission explains the

surprise revision in June of Montedison's 1992 accounts. Shareholders were shocked to see the group's consolidated losses rise by 1,436bn to 1,1,679bn (£701m) because of mysterious "credits", unexpectedly deemed to be irrecoverable, by an obscure Curaçao-based subsidiary.

Mr Gardini's letter confirms the steady use, from 1988, of "back-to-back" financing to boost the group's resources. By 1991, the letter says the undeclared borrowings had risen to about 1,100bn.

The letter adds that Ferruzzi used the Swiss intermediary to buy shares in a number of takeover deals.

NEWS IN BRIEF

Georgian prime minister resigns

GEORGIA'S parliament yesterday named head of state Eduard Shevardnadze temporary prime minister after the resignation of Prime Minister Tengiz Sigua resigned, Reuter reports.

In a vote, the legislature gave Mr Shevardnadze, a former Soviet foreign minister, two weeks to put forward a new cabinet to grapple with the economic disintegration and military upheavals facing the country.

Mr Shevardnadze had warned that Georgia was exposed to grave danger and could only be saved by centralising power and introducing an "emergency regime". In a televised address he said: "The fight that has begun in Georgia could become the start of civil war, the gravest civil war." Separatist conflict in the region of Abkhazia and post-Soviet economic disintegration have brought the country to the brink of collapse.

Romania acts on pit strike

The Romanian government began legal action yesterday to halt a miners' strike after President Ion Iliescu said the strikers should "learn from the Japanese" about hard work, Reuter reports from Bucharest.

The industry ministry said it filed a suit with the Supreme Court seeking a ban on the strike, but the case would not be heard until next Thursday.

Strike leader Mircea Cosma has demanded a doubling of basic monthly wages to up to 224,000 lei (\$188). With bonuses this would give the miners up to 10 times the national average wage.

Brussels soda ash inquiry

The European Commission yesterday said it was opening an anti-dumping inquiry into US soda ash imports into the European Community, Reuter reports from Brussels.

The Commission said it was acting on a complaint from the European Chemical Industry Council (Cefic), which alleged that the imports concerned had risen to 618,489 tonnes last year from 269,225 tonnes in 1991 and 48,269 tonnes in 1990.

US may move on whales

The US Commerce Department said it has taken a step towards a possible ban on Norwegian imports in response to Norway's defiance of an international ban on whaling, Reuter reports from Washington.

Mr Ron Brown, the commerce secretary, wrote to President Bill Clinton saying Norway had defied an international ban on whaling, Reuter reports from Washington.

Mr Brown's action could justify a ban on US imports of Norwegian products.

Bonn sets air talks deadline

Germany, which has threatened to cancel its civil aviation agreement with the US, has set a September 15 deadline for talks on a new bilateral accord, Reuter reports from Bonn.

The German Transport Ministry has also proposed a seven-year interim pact, it said. This would restrict US airline activity in Germany ahead of a final negotiated treaty to be implemented in the year 2000.

THE FINANCIAL TIMES
Published by The Financial Times
Group, 1, The Financial Times Building,
30, Abchurch Lane, London EC4N 3DF.
Telephone: +44 (0) 20 5585 1000. Fax: +44
(0) 20 5585 1001. Telex: 639000.
Printed by DPM Druck-Vertrieb and
Marketing GmbH, Am Alten Rodekamp
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Subscription Editor: Richard Lambert,
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are: The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9HL. The Company is
incorporated under the laws of England
and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Roffey, 165 Rue
de Valenciennes, F-75004 Paris Cedex 01.
Telephone: (01) 4297-0621. Fax: (01)
4297-0622. Printer: S.A. Nord Eclair,
1571 Rue de Calixte, F-91000 Evry.
Caden 1. Editor: Richard Lambert.
ISSN: ISSN 1148-7753. Commission
Paritaire No 67862D.

DENMARK
Financial Times (Scandinavia) Ltd,
Vimmelskaftet, 47A, DK-1161
Copenhagen. Telephone 33 14 41.
Fax 33 93 33 35.

Swedes go to ground for the long summer days

Where is everybody? Hugh Carnegie in Stockholm investigates

IF YOU have been wondering when your Swedish client will reply to your fax, the chances are that next week will bring an answer.

All over the country, families will spend the weekend packing up the country cottage, mooring the boat and heading reluctantly back to the city at the end of another long annual break that is a traditional feature of Sweden's short summer.

Despite the toughest recession for 50 years, which has seen the economy shrink for three years in a row, and an almost incessant national debate about how to sustain the country's cherished position as an industrial force, the four- to five-week summer holiday remains entrenched. Many companies still

shut down production for the duration and government offices are maintained on skeleton staffs. Tourists visiting Stockholm find to their irritation that many restaurants close. It was not uncommon in July for calls to senior executives and officials to be answered by a recorded message or a security officer saying "Ring back on August 9".

Given that a large part of Sweden's problem has been a lack of industrial competitiveness, the long holiday might seem an indulgence it can no longer afford. But it does not appear to be under great threat. "I don't think this is a problem that should be exaggerated," says an

economist at SAF, the employers' federation. "After all, we can't have our holidays in August instead of July, the Swedish climate doesn't function like that."

Many Swedes also argue that the country has in any case been making striking gains in competitiveness without abandoning the summer holiday. The strong devaluation of the krona last August has helped produce a 20 per cent improvement in Sweden's competitive position this year. Wage agreements have also come down sharply. Absenteeism has been curbed by cuts in government sick pay schemes.

Some holiday schedules have been

altered. Trade unions at Saab, the car maker, agreed to split this year's five-week break into three to avoid disrupting the start of production of the company's new 900 model. At Volvo, the four-week holiday was put back a week to overlap for at least one week with holidays at Renault, its French partner.

According to SAF figures, Swedish hourly labour costs have fallen from ranking second only to Germany last year to seventh this year in a comparison with 13 western industrial countries. Sweden is now cheaper than the Netherlands, Belgium and Denmark.

though 15 per cent more expensive than France, about 20 per cent more expensive than Japan and the US and over 30 per cent more expensive than the UK.

Without the currency effect, the surviving features of the "Swedish model" would be more obvious. The overall tax burden in Sweden, for example, is almost 80 per cent of GDP, compared with an EC average of just over 40 per cent. Employers' contributions have been cut, but are still 31 per cent of salary.

There is much debate over the high cost of the country's generous child care and maternity/paternity allowances. Currently, however,

employers must allow couples a total of one year off between them for the birth of a new child.

And then there are holidays. The basic statutory annual holiday entitlement is about to be cut from 27 to 25 working days, on top of public holidays. In practice, many people receive more. According to the Finance Ministry, government workers get between 30 and 36 days, depending on their age.

Most is taken in July, before the nights shorten again. Some officials and businessmen say that if Sweden joins the EC, as it intends, holidays may have to shift back to mesh more closely with the European pattern of August holidays. For now, though, it is still for enjoying the precious long days, never mind the recession.

Former Socialist leader becomes first woman Speaker of the Diet 'Iron Butterfly' flutters aloft as political landscape is reshaped

By Eniko Terazono in Tokyo

FROM HER elevated position in the Japanese parliament building, Ms Takako Doi, the "Iron Butterfly", yesterday became the first woman to look down upon her peers from the velvet-covered seat.

Although she initially rejected the job of Speaker of the Diet - the lower house of parliament - she assumed the post in serious vein, naming the country's new prime minister with her booming voice.

It has been a long week for the 64-year-old former leader of the Social Democratic party, previously known as the Japan Socialist Party.

Her supporters had hoped

she would refuse the offer of the Speaker's post. They had suggested she form a new party along with the left-wing faction of the SDP.

Left-wing members have been unhappy at the SDP's decision to enter a coalition government with former members of the Liberal Democratic party - the establishment party now edged out of power after dominating Japan's post-war politics.

Ms Doi's own left-wing leanings, including support for the North Korean regime and opposition to Japan's defence forces, were blamed for the unexpected defeat of the SDP in the Tokyo gubernatorial elections two years ago, after

which she resigned as party leader.

But even though she stepped down from the top job, Ms Doi has maintained her personal popularity as a politician and retains the charisma which once saved the LDP.

Leaders of the present coalition were worried that she and a band of left-wing members might splinter from the SDP and so reduce the coalition's majority in parliament.

Since speakers of the Diet are expected to give up party membership during their tenure, leftists in the SDP have accused party officials of trying to get rid of "true socialist" ideologies by promoting Ms Doi.

After days during which SDP officials pressed her to take the offer, Ms Doi finally relented. She had resisted on the grounds that the party with the largest number of seats in the Diet should nominate the Speaker. But she eventually accepted the post, she said, to "prevent democracy from collapsing" and hoped to make the political process more open and less corrupt.

The daughter of a doctor in Kobe, western Japan, Ms Doi became a professor of constitutional law before being elected to the Diet in 1969.

Coalition leaders said her constitutional law background was perfect for the post of Speaker.

Her popularity stems from her down-to-earth image. She plays pachinko, the Japanese version of pinball, loves karaoke and is an avid fan of baseball.

She is also respected for her outspoken ways. Unlike some of her peers, who are renowned for their evasive answers, she is not afraid to call a spade a spade.

Some politicians fear that such straightforwardness could stand in the way of her new job, which often requires delicate handling of parliamentary proceedings.

However, Ms Doi has made clear that she will not follow tradition, but will go about her business the "natural way".



Doi: popular for her outspoken, down-to-earth ways

Civilian groups plan 3-day protest in Lagos

By Paul Adams in Lagos

PRO-DEMOCRACY groups in Lagos yesterday pressed ahead with plans for three days of civilian protest in Nigeria's commercial capital next week calling for an end to military rule.

The protests, set for August 12 to 14, were "to demonstrate the implacable commitment of the Nigerian people to the unconditional termination of military rule on August 27," the Campaign for Democracy (CD) pressure group said.

Okesuna market in central Lagos was packed with people who said they were buying essential items to stock up in case the protests choked Lagos as similar ones did in July.

The government of President Ibrahim Babangida and civilian politicians face a difficult task to overcome public hostility in Lagos and in the south-west of Nigeria, stronghold of Chief Moshood Abiola, winner of June's annulled presidential election to a proposed interim government.

Delegates from the military government and the two civilian political parties have recommended to General Babangida that the next head of state and his deputy should be civilians, with cabinet posts going to the service chiefs of the armed forces.

The interim government would hold presidential elections in October 1994 and hand over at the end of next year. The members of the new government would be chosen from the Social Democratic Party and the National Republican Convention and from non-party civilians. It is not clear who would choose the new government nor whether it would have a free rein.

The SDP is split over the recommendations, with supporters of the presidential candidate, Mr Abiola, denouncing it as a sell-out and community leaders in Lagos calling for Mr Abiola to be installed as president. Mr Abiola is pressing his case in the US, having met British government ministers on Thursday.

The SDP chairman, Mr Tony Anenih, justified the interim government as the only way to get the military out of power. "If we tell Babangida, we are indirectly telling Babangida to stay on and Nigerians do not want that," he said after the recommendations were submitted to the president in Abuja.

Liberian children 'facing starvation'

By Our Foreign Staff

THE lives of 7,000 malnourished Liberian children are in jeopardy unless access for relief supplies from neighbouring Ivory Coast is reinstated, the London-based charity Save the Children warned yesterday.

The country's peace plan, which calls for supervision of road traffic to prevent gun-running to civil war factions, is blocking relief supplies to areas where people are starving. The United Nations has told Ivory Coast authorities shipments of food and medicine to rebel territory must wait - apparently until UN inspectors arrive to monitor traffic and prevent shipments of arms to the rival factions.

Mr Nicholas Hinton, director general of Save the Children, called on the UN "to act immediately to put observers in place on the border... It seems utterly bizarre, and is a matter for deep concern, that children's lives should be threatened at the very time when they were hoping for the benefits of peace."

Aid agencies, including the Red Cross and Médecins Sans Frontières, were told by Ivory Coast last weekend they could not cross the border into parts of Liberia held by rebel leader Charles Taylor. UN agencies and private relief organisations say at least 250,000 people are in danger of starvation in central and northern Liberia.

The International Red Cross estimates hundreds of children are dying every week in areas controlled by Mr Taylor.

Under an agreement signed on July 26 to end Liberia's 11-year-old civil war, all factions are to be disarmed and confined to rehabilitation camps by an expanded Ecomog West African military force, under the supervision of a UN observer mission.

Japan's bureaucrats fear new division of labour

Officials are concerned the new coalition will usurp their role as policy formers, writes Michio Nakamoto

How the coalition breaks down and why it could break up



SOCIAL DEMOCRATIC PARTY

Party leader: Shinichi Muroga

17 seats

Traditional party of opposition, now playing a key role in the coalition government. It is the only party to have won seats in the Diet since 1992.

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JAPAN RENEWAL PARTY

Party leader: Tetsuo Hata

17 seats

Set up in June by defectors from the Liberal Democratic party. It is the only party to have won seats in the Diet since 1992.

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CLEAN GOVERNMENT PARTY

Party leader: Kazuo Ishida

17 seats

Linked to the Buddhist Soka Gakkai movement, the source of much of its money, but is formally independent.

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JAPAN NEW PARTY

Party leader: Morihito Hosokawa

17 seats

The new prime minister founded his party in mid-1992 out of disgust with the status quo.

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It is the only party

Pupil staying-on rate lags competitors

By John Authers

A SMALLER proportion of those aged 16 to 18 stay in full-time education in the UK than in any of its leading industrial competitors, the Department for Education said yesterday.

The department's figures compare participation in education in eight EC countries, as well as Australia, Canada, Japan, Sweden and the US. They show that full-time participation by 16 to 18-year-olds as a whole is only 40 per cent in the UK, while the rate for other countries varies from 47 per cent in Italy, where the school-leaving age is 14, to 89 per cent in Germany.

Earlier this week Sir Ron Dearing - who heads the government's review of the national curriculum - announced that he was to consult on introducing more voca-

tional education for 14-year-olds in an attempt to encourage children to stay in training for longer. He pointed out that in France, Germany and the Netherlands, more than 25 per cent of children above the age of 14 go to schools specialising in vocational education.

The latest figures are likely to add impetus to Sir Ron's call for reform, which was endorsed by both employers and teaching unions.

Full-time participation by 16-year-olds in the UK is only 57 per cent - only Italy has a lower rate, with 54 per cent. Canada has the highest rate at 100 per cent and Germany has a rate of 99 per cent.

The UK has the highest participation in part-time education - such as evening courses and training courses with employers - at 31 per cent. Once part-time education is included, the UK has a total

participation rate of 71 per cent, ahead of Italy (65 per cent), Spain (61 per cent), and Australia (69 per cent).

The data shows that the total staying-on rate in the UK improved by 6 percentage points from 65 per cent in 1982 to 71 per cent in 1990. However, stronger improvements were registered by France, up 16 percentage points, and Spain and Belgium (14 points).

Rates of participation increased more for women than for men in every country except Spain.

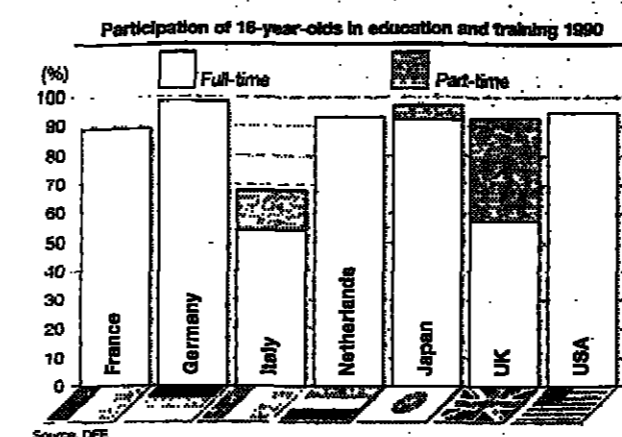
All countries saw staying-on rates fall off each year after the age of 16. This effect is most marked in the UK, where only 23 per cent of 18-year-olds stay in full-time education. In Germany the figure is 80 per cent, while none of the other EC countries surveyed has a rate of less than 41 per cent.

According to the department,

JOB prospects for school leavers are "very grim", Mr Frank Dobson, shadow employment secretary, said yesterday, David Owen writes. Launching a Labour survey on youth unemployment, Mr Dobson warned that this year's 16 to 19-year-olds could become "a lost generation".

He added that unemployment among 18 and 19-year-olds had almost doubled in the three years to April. The Department of Employment said prospects for young people were better this year as the economy and the labour market were picking up.

The UK's staying-on rate has improved by about 10 percentage points since 1990. This is partly due to the fall of 5 per cent in the number in this age group. However, Labour said that



International Statistical Comparisons of the Participation in Education and Training of 16 to 18-year-olds. DfE Analytical Services Branch, Mowden Hall, Staindrop Road, Darlington, Co. Durham, DL3 9BC. Pres.

high unemployment had also encouraged children who would prefer to look for a job to stay in school. The department attributes the rise in staying-on to the introduction of vocational qualifications.

Cutting drugs bill 'hits the wrong target'

By Daniel Green and Alan Pike

THE prices of prescription drugs are rising less quickly than other costs in the National Health Service, the Association of British Pharmaceutical Industries said yesterday.

The pharmaceutical industry is opposing attempts by the government to reduce the NHS's annual drugs bill - now around £3.3bn in England alone - by measures including extending the limited list which restricts certain drugs that doctors can prescribe.

But Dr John Griffin, association director, yesterday accused the government of "hitting the wrong target" by its efforts to cut prescribing costs.

"How can the government justify further cutbacks on medicines when other costs in the NHS are so much greater?" he asked. "They should be supporting better public health by increasing use of medicines rather than waiting for patients to end up as expensive hospital cases."

Dr Griffin, presenting the association's annual report, said drug-price inflation was 2.5 per cent last year, compared with 8.5 per cent in the rest of the NHS.

Drug prices have fallen by 15 per cent in real terms over the last 10 years, the association said. Total spending on drugs remained less than 10 per cent of the total NHS bill.

The list is intended to cut costs, but Dr Griffin said, it "would mean British patients getting older, cheaper medicines rather than the best and would delay or deter the search for [new] medicines".

Mrs Virginia Bottomley, health secretary, has taken a strong stand on the need to control drug costs. She has said she cannot justify forcing NHS employees to accept pay increases limited to 1.5 per cent while the drugs bill is rising by many times that amount.

The Department of Health is

THE relationship between doctors and patients should not be based on commercial factors, the British Medical Association yesterday told a Monopolies and Mergers Commission inquiry into private medical fees.

Last month the commission reached a preliminary conclusion that the way consultants set fees in relation to guidelines produced by the BMA and leading insurers formed a complex monopoly.

In its response yesterday the BMA argued that an "orderly arrangement", with fees set within a generally accepted and published range, should be fostered. The existence of guidelines provided a way of stimulating discussion about fees and helped prevent excessive charges.

one of the Whitehall departments being surveyed for savings under the government's review of public spending.

The association also produced the results of a survey of general practitioners yesterday that showed 72 per cent of respondents wanted the government to withdraw the limited list of drugs.

Some 75 per cent of GPs thought the list would affect drugs research - new treatments might find it difficult to join the limited list.

The survey also found that 48 per cent of GPs, including 20 per cent of Conservative MPs, wanted the government to withdraw the limited list.

The association claims that research in the British pharmaceutical industry could be put at risk by the government's policies on prescribing. Its annual report points out that one fifth of all investment in research and development in Britain - £4m a day - is spent by pharmaceutical companies.

Dr Griffin called on the government to recognise that its programme to improve overall health standards would need increased resources.

Major to lead Olympic delegation

MR JOHN MAJOR is to lead the British Olympic delegation to Monaco when it makes its final presentation in its bid to bring the games to Manchester in 2000.

The prime minister will be stopping off in Monaco for the International Olympic Committee meeting on his way back from the Far East.

The meeting, on September 23, is further evidence that the government's support for Britain's bid is more wholehearted than it was when the country bid to host the 1996 Olympics. Mr Major has already had several meetings with Mr Juan Antonio Samaranch, the IOC president, and other committee members in a bid to further Manchester's cause.

Mr Bob Scott, chairman of Manchester 2000, said last night that he was "obviously delighted" the prime minister would lead the British team.

CSO alters statistics base

THE CENTRAL Statistical Office announced yesterday that it was altering its volume, or constant price, series which are at present based on 1985.

Index numbers in future will equal 100 in 1990 rather than in 1985 as series expressed at constant prices will have their levels changed.

The CSO also said that it was changing the definition of manufacturing. It will now include coke ovens, mineral oil processing and nuclear fuel production. These industries were previously classified as energy industries.

The changes will affect, in particular, historic series for producer prices as well as the index of manufacturing and production.

White collar tendering review

COOPERS & LYBRAND, the accountancy firm, has been appointed by the Department of the Environment to study how compulsory competitive tendering can be introduced to local authorities' white-collar services.

Competitive tendering is already compulsory for a range of manual services, but is yet to be introduced for legal services and "construction-related services" (quantity surveyors and architects).

Coopers & Lybrand will advise on the total annual value of each of these services in a range of local authorities, and on what percentage of the total value should be made open to competition.

Security guards at the Sheffield headquarters of the Department of Employment are to strike from Monday as part of the NUCPS Civil Service union's dispute over market testing.

Fresh challenge to women priests

THE CHURCH SOCIETY, a charity, yesterday lodged an application for leave for a judicial review challenging the Commons' ecclesiastical committee's support for the ordination of women priests.

Legislation which would allow the ordination of women was passed by the general synod - the Church of England's ruling body - last November, and approved by the committee in July.

The society alleges the committee refused to hear evidence which suggested that the synod may have acted outside its remit.



Asil Nadir's personal possessions, including a watch from his son Birol (inset), sold at Christies yesterday for more than £73,000

Nadir souvenir auction is success

By Tim King

SOUVENIR hunters were out in force yesterday as the personal belongings of Mr Asil Nadir, the fugitive businessman, were auctioned.

The sale of contents of Mr Nadir's London home, 80 Eaton Place, Belgrave, brought in a total of £73,309 - three times more than the bankruptcy trustees had expected.

Christies, the London auction house, had predicted that the sale would realise up to £30,000 with its combination of 19th century fine art and 1990s kitchenware.

The highest price was paid for a set of eight Turkish military portraits. An anonymous buyer from Istanbul bid £9,900.

Most lots were more modest. Four scatter cushions embroidered A.N. were purchased for £38.50. Also for sale were two washing machines, a hair dryer and an electric kettle. A selection of video tapes which sold for £77 included the titles *The Wrong Arm of the Law*, and *Lock Up, Sylvester Stallone's prison film*.

Mr Mark Simmons, an advertising executive, said he had come to the sale out of curiosity and because he needed a television. Mr Nadir's home contained several televisions, three of them bought by Mr Simmons for £83. There was fiercer competition for Mr Nadir's hi-fi system, which finally sold for £335.

The last item of the sale was a gold watch, the confiscation of which prompted Mr Michael Mates to send a replacement, famously inscribed: "Don't let the buggers get you down." Mr Mates's watch cost £20. The original sold yesterday for £1,540.

Mr Michael Bowkett, a City scaffolding contractor, paid £418 for Mr Nadir's gold Jean D'Eve "Sectora" dress watch with a dedication from his son Birol: "To Dad, happy birthday, time flies, always use it to the full. Love you very much."

Mr Bowkett said: "I thought it would be nice to have something of Nadir's."

Mr Karim Osman, a private investigator, paid £88 for one lot which included an engraved hip flask, ash trays and cigars. He described the hip flask as "a nice novelty".

Mr Ramadan Shekherade, of Haringey, north London, became the proud owner of Mr Nadir's books, which included *Asil Nadir and the Rise and Fall of Polly Peck*. He said: "My relatives worked for him in Cyprus. My parents have land next to him."

Mr Nadir's bankruptcy trustees said they were very pleased with the sale. The auctioneer, Mr Jim Collingridge, deputy chairman at Christies, said afterwards: "There were a lot of strange bids, a lot of people not used to salesrooms, but the prices were tremendous. Some things were silly money compared to what you can normally buy on these occasions."

Chambers warn against complacency despite recovery signs

By Richard Lapper

FRESH evidence that Britain is slowly climbing out of recession came from economic survey results yesterday.

Yet there were also indications of increasing insolvencies among manufacturing companies, prompting the British Chambers of Commerce to warn the government against complacency.

"Insolvency levels are still too high," said Mr Richard Brown, deputy director-general of the British Chambers of Commerce, which yesterday published the latest quarterly insolvency figures on behalf of the Department of Trade and Industry.

"The government should not be too complacent," added Mr Brown. "There has to be concern over the persistent shrinkage of the UK's manufacturing base."

A total of 5,195 companies collapsed in April, May and June, a reduction of 8.9 per cent on the 5,705 insolvencies recorded in the first quarter and a recent peak of 6,999 in the third quarter of

last year, the BCC figures show. Sectors such as metals, engineering, textiles and clothing are suffering disproportionately. A total of 1,149 manufacturing companies failed in the first quarter of this year.

The number of failing levels of insolvencies were good for business, employees and consumer confidence. He said: "This has got to be good news. If fewer people are being made bankrupt this has got to have a knock-on effect."

He added: "This third consecutive quarterly fall in the number of corporate insolvencies provides further evidence that recovery is under way."

A survey by Trade Indemnity, the trade credit insurance company, also provided evidence of recovery.

The number of companies working at less than 50 per cent capacity fell to 27 per cent of the sample of more than 500 companies, compared with 31 per cent in the first quarter. The proportion working "flat out" rose to 16 per cent from 10 per cent.

During the first three months of this year payments to companies

went bankrupt fell sharply by 15.3 per cent between the first two quarters of this year - from 10,233 to 8,663 - although the latter figure was only 1.9 per cent below that for the corresponding period last year.

Mr Brown said falling levels of insolvencies were good for business, employees and consumer confidence. He said: "This has got to be good news. If fewer people are being made bankrupt this has got to have a knock-on effect."

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Staff muck in to support Scotland's forgotten airport

There are no passengers, but Prestwick insists it has a future, writes James Buxton

IF THE 400,000 people who live in Ayrshire have one thing in common it is a passionate loyalty to Prestwick Airport.

They believe the airport, near Ayr on the Firth of Clyde, is one of the world's finest. It has a long runway, an impressive passenger terminal and the area's mild climate means it is hardly ever forced to close.

Yet for the past year and a half it has had no regular passenger flights, either scheduled or charter. Much of the terminal is deserted.

Even Mr Matthew Hudson, the airport's chief executive, jokes: "Business? We haven't got any business."

Prestwick's decline accelerated in 1990 when the government abolished the legal requirement for transatlantic flights from Scotland to use Prestwick.

The number of flights using the airport was already dwindling: passengers were reluctant

to use it because, being 30 miles south-west of Glasgow, it was seen as too remote for much of Scotland. As soon as transatlantic flights were free to use Glasgow, services to north America were launched from there.

Prestwick's monopoly had been maintained because of the influence wielded by Ayrshire MPs, led by Mr George Younger, who was Tory MP for Ayr and is now Lord Younger of Prestwick.

Now Ayrshire is having to prove its loyalty to Prestwick with money and hard work.

In April last year the airport was bought from BAA, the airports operator, by a consortium of Ayrshire business people and local authorities, chaired by Lord Younger. It now belongs to PIK Holdings, a company named after Prestwick's international call-sign.

Although there are no passenger flights, Prestwick has a substantial air freight business. Federal Express, the US freight company, operates daily services and has taken a 10 per cent stake in PIK. Air Canada and TNT also use the freight terminal.

The airport is used by British Aerospace which builds aircraft at Prestwick and owns the runway. Its pilot training college can generate hundreds of daily air movements by trainer aircraft.

Ryder Systems, the US company, has a plant adjoining the airport which overhauls aeroplanes. The airport is used by Bond Helicopters. There is a naval air station, HMS Cannet, whose previous commander Mr Paddy Healey left the Navy to become PIK's managing director. But that is about all.

Mr Hudson, a Canadian law-

yer who moved to Ayrshire, says: "We've had to reinvent the way an airport is managed. What we've done enables us to survive and be profitable at a very low level of turnover."

New working practices were brought in. PIK made all 71 BAA employees redundant and built up a new workforce, rehiring some of the former staff and engaging new ones on different conditions. The number of unions was cut from about eight to one. All 137 staff have to be able to perform at least two jobs.

"The crash rescue team works on the apron, shifts luggage when necessary or cuts the grass," says Mr Hudson. "My secretary sometimes goes and works in the duty-free store when aircrew want to purchase anything."

Instead of contracting out handling and other services,

PIK has taken over everything itself. "We do all freight and passenger handling," says Mr Hudson. PIK has taken over air traffic control from a Civil Aviation Authority subsidiary, and runs its own duty-free sales.

Holiday flights from Prestwick should start again next year. The tour company Direct Holidays is to operate flights to destinations including Florida, Turkey and the Algarve. PIK has also set up its own travel agency.

Prestwick believes it can compete successfully with Glasgow because it charges airlines £15 less a passenger, due in part to its cost-reduction programme. It can also offer much cheaper carparking for travellers than Glasgow. "We want to make Prestwick into Scotland's favourite holiday airport," says Mr Hudson.

Now that Ayrshire has to take responsibility for Prestwick the community is pulling all the stops out.

One of the airport's long-standing weaknesses is that although the Glasgow-Ayr railway passes little more than 100 yards from the terminal, there is no railway station.

Now a station is likely to be built at a cost of £2m, financed with help from Strathclyde Regional Council and Kyle and Carrick District Council, which is already a shareholder in PIK.

British Rail is also expected to agree to a scheme giving free rail travel to the airport to rail travellers from anywhere in Scotland who display a ticket for a Prestwick flight.

Mr Hudson explains that BAA had no motivation to promote Prestwick because it owned Glasgow and Edinburgh

airports. He believes BAA normally made annual operating losses of about £1m at Prestwick.

PIK says it made a profit in its first year of operations. "The accounts are not yet audited, but we should make pre-tax profits of between £500,000 to £600,000 per year to March 31, on turnover of about £4.5m," says Mr Hudson.

"We made a profit in the first half and have already landed out £50 to each of our staff in profit-related pay," he adds. "This is a community endeavour."

Even sceptics believe that whatever the next few years hold for Prestwick, the airport's long-term survival is assured.

A politician involved with the airport explains: "It will be politically impossible ever to build a new runway at Glasgow. So when Glasgow eventually runs out of space, Prestwick will come into its own."

Postal strike may spread after talks fail

By Robert Taylor,
Labour Correspondent

AN ESCALATION of the five-day postal strike at Cardiff looks possible this weekend after yesterday's negotiations between Post Office management and officials of the Union of Communication Workers failed to achieve a settlement.

Further talks will be held today to try and resolve the dispute over new shift-working patterns, which involves 900 staff at two Royal Mail offices in Cardiff.

Royal Mail staff in Oxford and Worcester have already decided in

secret ballots not to handle any of the mail affected by the dispute. Further ballots are being held among postal workers in Bristol, Southampton and Gloucester. Talks in Gloucester have so far lasted more than 20 hours over two days.

The strike is delaying mail addressed to Companies House - the government's business registration headquarters in Cardiff - and the Federation of Small Businesses has warned that this could trigger financial penalties for companies if accounts and returns arrive late.

An estimated 1m letters lie undelivered at Royal Mail sorting depots

around Britain. About 2,500 post-boxes in Cardiff have been sealed.

The parcel service and delivery of registered mail are unaffected so far, as is the post office counter service.

Mr Graham Hall, head of Cardiff Chamber of Commerce, said local companies were making alternative arrangements through private courier services and using faxes but business customers outside south Wales were still unaware of the dispute and were continuing to send mail to Cardiff.

The dispute began on Tuesday when staff walked out in protest at the Post Office's decision to intro-

duce a new fixed pattern of shift-working in its Cardiff offices for 300 of the 900 staff.

Initially, staff decided to strike for 24 hours, but they have accused the Royal Mail of refusing to enter serious negotiations, and agreed to continue the dispute indefinitely.

Over the past 18 months the Royal Mail has been introducing "settled attendances" at its sorting offices throughout the UK. Many of the 140,000 Post Office staff - including three quarters of staff in south Wales - accepted the new system after local consultation, although there have been a number of dis-

putes over its introduction, notably at Melton Mowbray in Leicestershire and at Chester.

Under the Royal Mail's traditional working patterns, postal workers are rotated between early, later and evening work shifts and between areas such as sorting, distribution and delivery.

The new working practices involve specialist work teams who will develop staff skills in specific areas and so end job mobility.

The Post Office's south Wales headquarters said yesterday that 80 per cent of the staff involved would get the shifts and duties they pre-

ferred. It added: "The new scheme is designed to improve the quality of the service we provide. It encourages staff to become experts in their own field."

Mr Les Parry, a member of the UCU executive said yesterday: "We are not against people having fixed duties. But the new system must be introduced with their consent."

The Post Office said it remains ready to deal with problems flexibly by trying to ensure that unpopular shifts are made more attractive. It said that no one would lose their job under the new system, and that basic pay would not be affected.

Payouts rise for poor advice

By Tim King

A SHARP rise in claims from victims of alleged negligent investment advice brought a big increase in compensation payouts by the Investors Compensation Scheme last year.

In its annual report, published yesterday, the scheme said it had paid compensation of £18.6m to 1,723 investors in the year ending March 31. In the previous year it had paid £12.6m to 1,588 investors.

ICS, run by the Securities and Investments Board, acts as a safety net to compensate private investors when a firm authorised under the scheme fails and is unable to pay investors their claims.

It declared 38 firms in default during last year, bringing the total to 81 since ICS began in August 1988. Since April, another 11 firms have been declared in default.

Mr Richard Lawson, ICS chairman, said: "The number of defaults by firms and the volume of claims has continued to rise."

The firms declared in default during 1992-93 were smaller than those affected in earlier years, he said.

Mr Lawson said claims were being based on the grounds of negligent advice rather than misappropriation or theft. In 1991-92, negligence-related claims made up a third of all compensation claims, compared with two-thirds in 1992-93.

Mr Lawson singled out home income plans as being of particular concern. During the property boom of the 1980s many investors took out loans against their homes and entered investment schemes to pay the loan's interest and give them some income.

The fall in house values in the early 1990s and the subsequent rise in interest rates left many investors paying out more than they received. Many compensation claims were filed against such schemes.

Mr Lawson said the ICS had made "considerable headway with claims arising from home income plans where investors were advised by authorised firms to enter into generally inappropriate, complex and financially hazardous arrangements."

The ICS has received more than 1,800 home-income-plan claims and paid or offered compensation of more than £16m.

Mr Lawson said ICS had dealt with more than two-thirds of the claims, but said lack of information from investors and firms meant claims were not being processed as quickly as he wanted.

He said: "We are keenly aware, particularly in home-income-plan defaults, of the uneasy relationship between us and through direct contact with the claimants we appreciate the distress they have suffered."

● The ICS has declared in default Money Flow - the Exeter firm trading as D. Lacy-Hulbert - which was authorised as a life assurance, unit trusts and pensions intermediary.

Timing of mail price rise attacked

THE Post Office Users' National Council yesterday criticised the timing of the proposals to raise the price of first and second class mail by 1p from November 1, Tim King writes.

The users' watchdog is extending its normal three-week period for receiving representations to six weeks and has told the Post Office and the Department of Trade and Industry that its report will be delayed.

It argued that it would be difficult to consult interested parties during the holiday period.

Mr Jim Cousins, Labour Post Office spokesman, said the proposal to charge 35p for first-class letters and 19p for second class followed directly from the Treasury's demands for more cash from the Post Office.

He said the government required the Post Office to contribute £181m for 1993-94, and £176m and £158m in the following two years.

The DTI said it was appropriate to expect more revenue from a profit-making body at a time of strain on the exchequer.

Nuclear plant gets safety extension

NUCLEAR ELECTRIC, the state-owned power company, was yesterday given permission by safety inspectors for the first time to extend to three years the operating periods between statutory shutdowns at an advanced gas cooled reactor.

Permission has been granted for the Hartlepool AGR three years after Nuclear Electric applied to extend the statutory period there from two years.

The Health and Safety Executive said the extension marked a significant change in the operation of nuclear power reactors. Since licensing began in 1960 all power reactors have been subject to statutory shutdowns every two years.

Nuclear Electric, which operates nuclear plants in England and Wales, hopes for similar extensions at its other four AGRs.

Greenpeace, the environmental pressure group, said Nuclear Electric was trading off economics for safety. Faults would go undetected for longer, it said.

Nuclear Electric said safety was a priority and the case for the HSE "took full account of our own stringent safety requirements". A typical safety shutdown at an AGR lasted 10 weeks and cost about £20m, including lost sales of electricity.

Deloitte Touche in merger plans

DELOITTE TOUCHE, the international accountancy firm that practices in the UK as Touche Ross, is to merge with IDOM Consultants, a Geneva-based banking consultancy.

The deal will increase Deloitte's opportunities in eastern European markets. IDOM provides management and information technology consultancy services to banks in Hungary, the Czech Republic and Poland.

Less drink please we're British

THE BRITISH are the most moderate drinkers in Europe, a report for Gaymer Group, the UK drinks company, says.

The survey found that the Spanish drink 50 per cent more than the British, the Germans 70 per cent more and the French 80 per cent more.

The British drink less wine per head than any other EC country apart from Eire, only 41 per cent of the European average.

The UK is fifth in beer drinking, behind Germany, Denmark, Belgium and Eire.



Brian Michell, manager of the Buccleuch Estates, sets off to dig holes for the estate's regular customers on the grouse moors, but like many counterparts in England, it stands to lose £100,000 this year

Landowners count cost as grouse numbers fall

THE ANNUAL grouse-shooting season is to open next Thursday, August 12, and most likely with a whimper rather than a bang. It is the owners of the upland moors, not the grouse, who will have cause to complain this year.

A sharp fall in numbers of the game bird has caused many estates in northern England and Scotland to postpone the annual shoot for several weeks or to cancel it altogether.

Mr Michael Clarke, managing director of Buccleuch Estates in the Borders, is delaying the season until September and limiting it to regular customers.

He expects to lose at least £100,000 from the three estates. "It's very sad and we don't like doing it, but you can't shoot your stock," he says. "In finan-

cial terms it's pretty painful for us."

For many landowners, the Glorious Twelfth will mean digging deeper into savings. Losses on the Lloyd's insurance market have left some without the safety net they would have used in lean years. Alternative income, such as sheep farming and deer stalking, bring much lower returns, and the tax incentives that encouraged some estates to sell land for forestry have ended.

The drastic decline in bird numbers has been caused by a combination of natural forces, says Mr Peter Hudson, manager of upland research at the Game Conservancy, an independent conservation trust on the edge of the Cairngorms. A heavy fall of snow on the heather moors in May froze the first brood of chicks before

Alison Maitland on why this year's shooting season may be far from glorious - and the knock-on effects for tourism

they hatched. Second broods are still too young to shoot.

In England, flocks have been infected by strongylosis, a disease which leaves females too sick to rear their chicks.

Mr Hudson estimates that the number of birds on the Scottish moors is down by nearly two-thirds on an average year. In some places the situation is even worse - a count in one part of northern England found only 50 birds to a square kilometre, compared with 650 last year.

The shortage means losses

for the estates, which have to pay their gamekeepers and maintain their land even if there is no shooting. Britain has 459 estates devoted to grouse, covering 4m acres.

"On many estates there's no other income," says Mr Jamie Illingworth of Strutt and Parker, the land agents. "They've got the heather and the rock, and grouse is the crop."

Tourism is suffering too. The shooters - Americans and continental Europeans as well as British businessmen - tend to be big spenders.

"They don't stint themselves," says Mr Dennis Fulford-Talbot, general manager of the George Hotel in Chollerford, Northumberland. "They drink very good clarets and the best ports and brandies." He usually has four or five shooting parties of up to 20 people each, bringing in between £5,000 and £6,000 per party. This year there have been no bookings.

On the moors, a party of eight can expect to pay £5,000 for a day's shooting in a good year, bagging 120 birds between them.

"We've cancelled about 30 days of shooting - that's about £150,000 worth," says Mr John Ormiston, managing director of Sport in Scotland, which organises shooting holidays on 50 estates. The Treasury stands to lose on that sum to the tune

of £26,250 in value added tax. There will be fewer seasonal jobs for beaters in this year's grouse season, and local shops, woolen mills and car-hire companies will suffer. A study by Strathclyde University estimated indirect expenditure of grouse-shooting parties in Scotland at £9.5m in 1989.

Most estates are biting the bullet and hoping for a turnaround next year - Scotland had a poor season last year as well.

Nobody is yet predicting the demise of the grouse estates. It is a business where you have to take a long-term view, and landowners tend to have deep pockets, says Mr Ormiston. "You don't own grouse moors to make money. You own them because you've got money."

Weekend FT, Pages VIII, XIV

SNP leader hits out at southern 'subsidy junkies'

By David Owen

THE NEED to stave off the mounting threat to the Tory vote in the south of England will lead to more government decisions favouring that region, Mr Alex Salmond, leader of the Scottish National Party, predicted yesterday.

Speaking a week after the Tories lost their traditionally safe seat of Christchurch, Dorset, to the Liberal Democrats, Mr Salmond used a keynote speech on the Scottish economy to brand the inhabitants of south-east England "the subsidy junkies of the UK".

The "myth" of the subsidised Scot had been "substantially scotched", he said, arguing that the UK defence budget represented "an effective regional policy five or six times as powerful as the whole of official regional aid expenditure".

Much of the government's economic policy was "a loosely disguised ramp" for the south.

In the second of a series of five or six important speeches leading to the annual SNP party conference in Dunoon, Strathclyde, next month, Mr Salmond said Scotland would be substantially better off as an independent nation.

Constitutional change was the key to Scotland's economic prosperity since it would enable it to escape the UK's "inevitable decline".

Mr Salmond resisted the temptation to gloat over Scotland's recent comparatively buoyant economic performance. "I find little cause for celebration just because we are suffering slightly less economic misery than many of our English neighbours."

Mr Salmond said Scottish gross domestic product might be 10 per cent lower in 1997 than would be the case in an independent Scotland.

Shoppers pick up 'green' habits

By Neil Buckley

BRITISH shoppers are increasingly environmentally aware, are buying more healthy products, and are becoming accustomed to shopping on Sundays, according to a survey published yesterday by Nielsen, the marketing information group.

The British Shopper 1993, Nielsen's second annual survey of purchasing habits, found that more than half the UK's consumers have stopped buying aerosols, three-quarters try to purchase recycled paper products when possible, and one in two take used bottles to bottle banks.

Women and young people

were generally more environmentally aware than men and the older generation, and those in the ABC1 socio-economic group were "greener" than those in the CDE groups.

UK consumers were buying more healthy products. Low-fat and low-calorie pre-packed salads have grown more than twice as fast as the rest of the pre-packed salad market in the past year, accounting for almost 20 per cent of the market. Nielsen said 15 per cent of coffee sales were for decaffeinated, and low-calorie drinks took more than 30 per cent of the fizzy-drinks market. Low-fat products took more than half the butter and margarine market.

The study found 3 per cent of households now shop on a Sunday, compared with only 1 per cent last year, suggesting that Sunday shopping is becoming more widely accepted in England and Wales, even though legal restrictions still apply. One household in eight shops on Sunday at least once a month. Shoppers also tend to spend more on Sundays than on other days of the week, with one in six Sunday shopping baskets valued at more than £80, compared with one in 10 on weekdays.

The survey provided further evidence of two important trends in retailing. Firstly, price is of increasing importance to consumers, UK shop-

pers were more likely to be influenced by price reductions than any other kind of promotion. Consumers based in the Midlands and southern England, were most likely to purchase goods on special offer.

It also confirmed that almost a quarter of all grocery sales were accounted for by retailers' own-label products. The percentage was highest in chilled foods, at 31 per cent, and lowest in pet foods, where loyalty to manufacturers' branded products was still high.

The British Shopper 1993, NVC Publications, PO Box 88, Henley-on-Thames, Oxfordshire RG9 1GB. 0491 574671. £16.95, plus £1.25 p&p.

Lib Dem targeting wins 19 seats

By John Authers

THE LIBERAL DEMOCRATS have made a net gain of 19 seats in the 183 local authority by-elections that have been held since the county council elections in May.

According to the Local Government Chronicle Elections Centre at the University of Plymouth, this is the result of successful targeting of resources at promising seats, and could be translated into future gains of parliamentary seats.

Mr Collin Raffings and Mr Michael Thrasher, of the uni-

versity, said the Liberal Democrats had gained four seats in the south-west in last year's general election, even though their share of the national vote fell by 4.5 per cent. They said: "Landslide local election victories in 1991 in north Devon and Taunton Deane district councils, and Torbay Borough Council, paved the way for a swing against the trend in April 1992."

Writing in Local Government Chronicle, they concluded: "Unless the Tories manage to increase their vote at the next election, they are likely to lose at least a handful

of seats to the Liberal Democrats in southern England."

Thirteen of the gains were from the Conservatives, with four from Labour and two from others. Several gains were made in the south-west, but seats were also gained in Conservative strongholds such as Basildon, Essex.

In the Labour-controlled London borough of Lambeth, recently the subject of a fiercely critical report by the district auditor, the Liberal Democrats last month won a seat in the Oval ward from Labour.

Labour and the Conserva-

tives both suggested that the figures may not indicate a national trend.

Labour said: "This sounds very much like a protest vote against this disaster of a government. After the last round of local elections we had the largest presence in local government, so Labour starts with a high base while the Liberal Democrats start with a low one."

The Conservatives said: "We are always disappointed to lose seats, and we are not complacent about this. This is mid-term, so the votes could be due to a protest."

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Saturday August 7 1993

Mr Major's
Euro-wishes

MR JOHN MAJOR'S instant reaction to the result of last week's torrid negotiations over the future of monetary co-operation in Europe already seems a little premature. Describing the outcome as a vindication of his decision to suspend sterling's membership last September, the British prime minister suggested that the effective collapse of the hard version of the exchange rate mechanism should accelerate economic recovery in Europe. He hinted that it could strengthen the case for further cuts in British interest rates and added that the Maastricht timetable for European monetary union was now "totally unrealistic". But first impressions can be misleading. A week later, none of Mr Major's assertions appear particularly secure.

On his first point - the vindication of Black Wednesday - Mr Major's case remains weak. The UK was forced out of the ERM last September because the currency markets knew that the British economy's structural weaknesses made staying in the ERM at a parity of DM2.95 untenable. By contrast, France, Belgium and Denmark, all credibly low inflation countries, were forced last weekend to widen the ERM bands because they could no longer sensibly live with the high levels of real interest rates that Germany's structural difficulties were transmitting across Europe.

Mr Major's half-hearted justification of events last September helps explain why his first prediction - the expected falls in European interest rates - has not yet materialised. Indeed, the French government has resisted the opportunity to reduce its short-term money market interest rates even from the double digit rates to which they were pushed to defend the currency.

Going for growth

One reason for this apparent obstinacy is an unwillingness on the part of the French establishment to admit that the *franc fort* policy of shadowing the D-Mark is no longer the route either to low inflation or economic stability. Another is that French prime minister Edouard Balladur does not want to appear to have been forced into the same position as Mr Major: a national leader who, having failed to defend an ERM parity, was forced to make the best of a bad lot by cutting interest rates and declaring that he was now "going for growth".

But Mr Major's first prediction will probably prove correct in the end. It makes no sense for countries with inflation rates half that of Germany, and suffering deepening recessions, to maintain short-term real interest rates which remain twice as high as

Germany's. French, Belgian and Danish interest rates may well not fall as far or as fast as Britain's. But economic logic does suggest that they must fall sooner rather than later. British exporters should be preparing for modest European growth.

Last week's events do not suggest, however, that lower European rates will necessarily be accompanied by lower British interest rates. If sterling and the D-Mark had soared against Europe's depreciating currencies, then the need to cap such an appreciation by cutting British rates would have been compelling. But far from plunging dramatically, the French franc closed yesterday a mere 1.7 per cent lower against the D-Mark than last week's close. The franc might well even rise against the D-Mark when the French government finally cuts rates.

Persistent deficits

In any case, a cut in British interest rates looks desirable on domestic economic grounds. The Confederation of British Industry's latest monthly survey appeared to confirm that the recovery now underway is weak and patchy. The absence of inflationary pressures and persistent trade and fiscal deficits both argue for a looser monetary policy balanced by further fiscal tightening. Regardless of what happens in Europe a further cut in UK interest rates looks to be an essential element in Mr Major's strategy to revive the government's dismal performance in the opinion polls.

Yet despite Mr Major's scepticism about the Maastricht timetable, the events of the past week do not necessarily mean that his European difficulties are behind him. France and Germany, far from rushing to distance themselves from monetary union, have been at pains to suggest that stage two of monetary union - the establishment of the European Monetary Institute followed by the fixing of ERM parities in narrow bands - will go ahead as planned at the beginning of next year.

This may well prove to be bravado. It will depend, as always, on the willingness of the Bundesbank to bring German interest rates down fast enough to make a rapid return to narrow bands politically and economically sustainable.

But the traumas of the last months do suggest that northern Europe will have to choose between carrying on indefinitely with the current dirty floating and moving more rapidly to some form of monetary union. Former chancellor Norman Lamont and other Euro-sceptics believe that Emu is dead. Mr Major will hope they are right. What matters is whether France and Germany agree.

A week is a long time in politics: in the crisis which has hit the European Community's plans for monetary integration, it is an eternity. On Monday, it seemed the weekend monetary crisis had delivered a fatal reverse to the future of the exchange rate mechanism (ERM) and a damaging blow to Europe's pivotal relationship - between Germany and France. Today, the future looks less certain; even the present is unclear.

Five days ago, most commentators agreed that the European Monetary System was in tatters, the programme for economic and monetary union had suffered a comprehensive defeat, and the Maastricht treaty was now void of economic credibility. Just as important was the political corollary: that the Bundesbank had inflicted a crushing humiliation on France.

France's conservative newspaper, *Le Figaro*, described it as a "shock-wave shaking Europe". Germany's mass-circulation *Bild* newspaper crowed: "Euro-money is stone dead - hurrah, the D-Mark is still there!" Mr Norman Lamont, Britain's former chancellor, said: "This is the end of the ERM in all but name."

Today, it looks as though these judgments may need some qualification. It is clear that the foreign exchange crisis has debunked old ERM certainties. With bands of 15 per cent above or below the central parity, the ERM is a different beast from one with bands of 2½ per cent. What we do not yet know is how European governments will manage their currency convergence in the months ahead. The market forces that broke the system assumed that, in a deepening recession, the French government could not long tolerate high interest rates. The past few days have suggested, however, that France may be prepared to resist the temptation of an early cut in rates. The result is the franc has not moved far from its old level against the D-Mark.

Moreover, it appears that the Belgians want to revert to a narrow-band arrangement with the Germans. One surprising possibility, therefore, is that the pattern of European exchange rates, at least for a small group of inner-core countries, may strongly resemble the pre-crisis period.

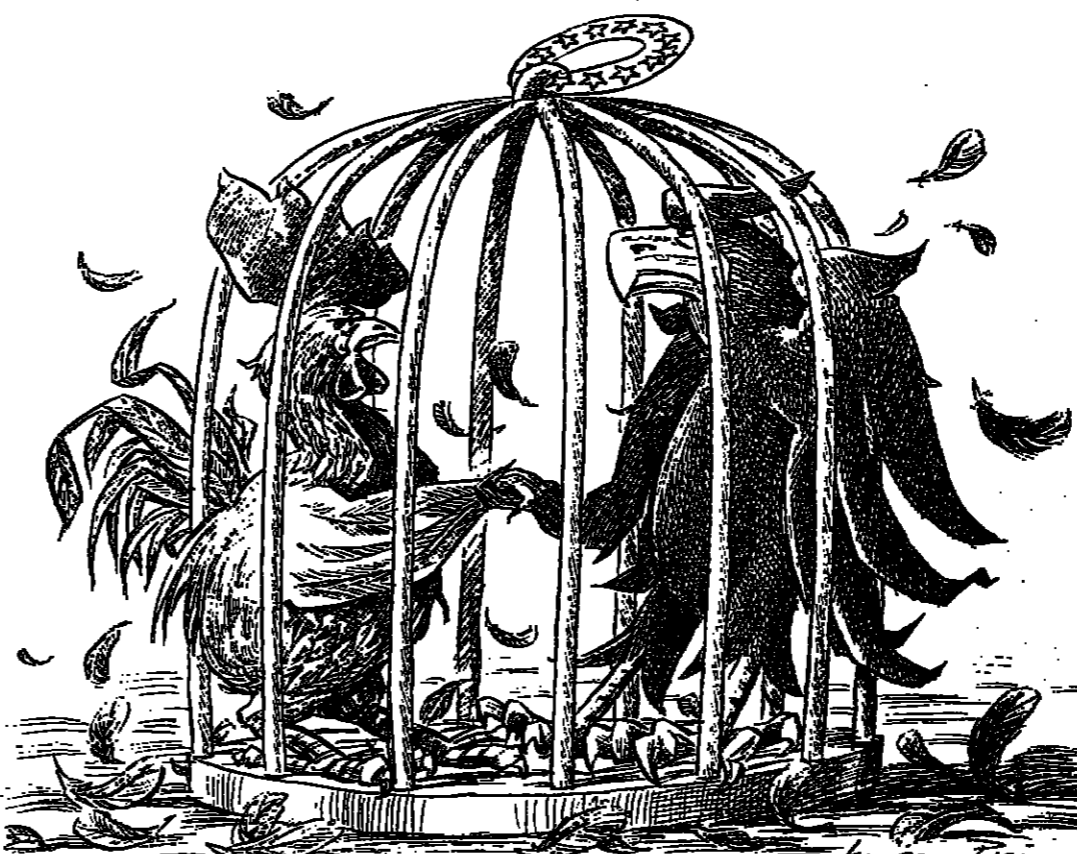
One reason why the French have not immediately cut their interest rates is that they need to rebuild their foreign reserves, badly depleted supporting the franc last week. The more important factor is that the government remains steadfast on its *franc fort* policy.

In the build-up to the crisis, French Prime Minister Edouard Balladur repeatedly pledged he would resist rather than deviate. This week, he insisted the value of the franc and its central rate in the EMS had been maintained - the implication being that it was policy to keep the franc near its old level.

Before going on holiday on Thursday, Mr Balladur repeated that French economic policy objectives remained unchanged: namely, "monetary stability, reduction of deficits, control of inflation, and reduction of the tax burden".

French resistance to devaluation could put a new gloss on the medium-term outlook for the exchange rate mechanism. Last weekend the 12 EC member states declared that phase two of Emu would start on schedule on January 1. Phase two is the preparatory stage for monetary union during which the currencies of all countries wanting to join are confined to narrow bands in which the possibility of realignment is precluded for two years

Ian Davidson examines the future of Franco-German relations after the humiliating shockwaves of recent days

Fated to share
the same cage

before they can join Emu.

Most commentators wrote this off as whistling in the wind. They believe the new wide bands are a prelude to more currency uncertainty. But the German and French governments are adamant they are wrong.

"I am absolutely sure," a senior German official said this week, "that phase two of Emu will start on time. The franc will not go down and, if our economies pick up, it will be easier to reach the criteria for economic convergence. The new situation is, shall we say, more interesting; but the old time-table is still valid."

Mr Balladur, evidently, does not assume things will be quite so simple. "A European monetary system must be rebuilt on new bases," he said after last weekend's crisis meeting. "This system must be subject, like its predecessor, to repeated crises which are incompatible with the recovery of our economy."

The problem is that the fundamental tension in the system, between Ger-

many and its EC partners, is unresolved. The Bundesbank is determined to squeeze domestic inflation induced by the costs of unification; but the resulting high interest rates force Bonn's partners to make an invidious choice between deflation and devaluation.

Mr Balladur did not disguise his view this week that German monetary policy was to blame for the crisis. "What is the reason for this speculation? It is certainly not in our economy. The cause of the speculation is the persistence of high interest rates in Germany."

Since it is the German economy which is out of step with the rest of Europe, the French had proposed that the D-Mark should temporarily

leave the ERM. Indeed, Mr Balladur maintained this week that the Germans had been ready to go along with this solution. Some German officials have denied this, though Mr Theo Waigel, the German finance minister, has appeared tacitly to admit it. He told a press conference in Bonn this week: "Several countries said that having Germany as an anchor was vital, and that they intended to stick to this policy, for which they saw no alternative."

For the moment, Mr Balladur is sticking to his hard franc policy. But in the months ahead he will be squeezed between the January 1 deadline for phase two of Emu, and domestic demands for lower interest rates and faster economic growth.

This pressure will be most intense among his supporters in the conservative Gaullist RPR party. On one hand, they fear for their prospects of winning the 1995 presidential election if the government does not deliver economic recovery and a fall in unemployment.

On the other, many are hostile to the Maastricht treaty, and see the currency crisis as an opportunity to ditch the programme for monetary union.

Even Mr Jacques Chirac, leader of the Gaullists and the party's candidate for the 1995 poll, seems to be keeping his options open. On Monday he warmly endorsed government policy, but seemed to call for a more expansionary economic posture.

It seems that the new wide-band regime in the ERM has given France, and the EC a breathing space, but hard choices still lie ahead. After the summer holidays, the French will have to test the options for lower interest rates, and the EC will have to decide whether it really can go into the next phase of Emu and, if so, on what terms.

The fundamental question now is whether this currency crisis has cast a serious political shadow over prospects for European integration and, in particular, over relations between France and Germany. The programme for Emu, and the broader negotiations on the Maastricht treaty, like all recent initiatives in the EC, have been driven by the close co-operation between Paris and Bonn. But Emu could come to grief over the tension between German and French economic interests.

Judged by the angry denunciations in French newspapers, Paris and Bonn would seem to be experiencing a serious political fallout. Even Mr Raymond Barre, the former conservative prime minister, went so far as to denounce the "dogmatic attitude" of the Bundesbank. But most analysts discount talk of a political showdown.

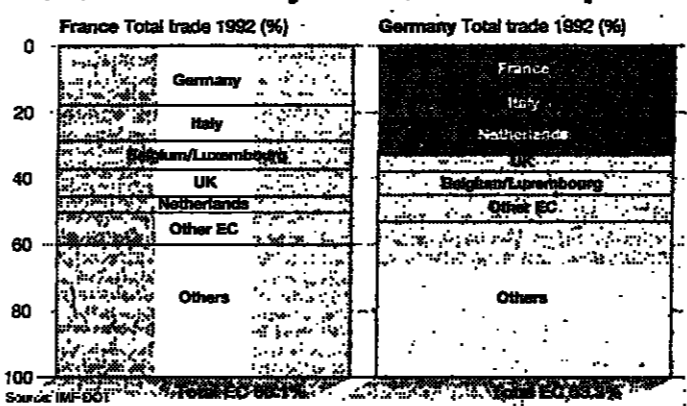
"This probably won't cause any lasting damage," according to Mr Pierre Jacques of the French foreign policy institute, IFRI. "In practice the crisis will produce a reaction of closer co-operation." Mr Jacques Lacarrière of OFCE, the economic policy institute, argues France and Germany are, in fact, in close agreement on how to solve the crisis.

Moreover, the partnership between France and Germany has been so close for so long that neither can easily imagine an alternative. This is partly a consequence of their shared history through three wars; it is also a reflection of their economic integration, in which each is the other's leading trading partner.

There is, however, no doubt that Franco-German relations are not as close at the moment as they have sometimes been. Policy disagreements, such as that over the breakup of Yugoslavia, have left a nasty taste. And, if there is a real danger of lasting conflict, it is most likely to come over the Uruguay Round of talks on trade liberalisation under the rubric of the General Agreement on Trade and Tariffs.

According to a senior German official, the ERM crisis had "absolutely not" caused any political damage. But he stressed that, in the trade field and over Gatt, there were real differences of philosophy. Yet most commentators believe the partnership will remain solid because there is no alternative. "We must build a more confident Franco-German relationship than we have had in recent weeks," declares Mrs Elisabeth Guggen, a close confidante of President François Mitterrand. "We must never forget that the Franco-German understanding is the basis of Europe. To imagine other alliances is an illusion."

France and Germany: each other's main partner



MAN IN THE NEWS: A foreign exchange dealer

Franc could be
the death of him

Stanley Smartcash, one of London's top currency dealers, drove back to his Knightsbridge flat last night, skipped the regular Friday visit to the gym and told his wife about the hardest week he has ever had in the foreign exchange market.

"We made a fortune selling sterling last year and a packet out of the peseta," said the 39-year-old head of foreign exchange (FX) at Global, the US investment bank. "But there have been times this week when the French franc looked as if it would make a killing out of all of us."

Stanley, an elegantly dressed Londoner with an ability to charm, is one of many foreign exchange managers recovering this weekend after a momentous 10 days in the currency markets: a period that shook the European exchange rate mechanism, saw the effective flotation of the French franc and some of the largest money flows ever in London's dealing rooms.

On Monday, Stanley had hoped a devaluation of the French franc would bring Global the same profits it had received from the demise of sterling last September when it was forced to leave the ERM.

terday afternoon, Global was, at best, only a few million pounds up on the week. Stanley's button-down, white, Hilditch & Key shirt was looking unusually crumpled at the end of the week's trading.

But after 15 years in the market, Stanley is used to the roller-coaster world of currency dealing. Occasionally he becomes incensed at the public's attitude. The phrase "Anglo-Saxon conspiracy" makes him laugh - although French politicians often refer to it. It does not exist. The words "barrow boy" make him wince.

"People think the industry's filled with idiots, but that's nonsense," he regularly tells his wife. Yes, when he is managing trades in the office, his manner with the junior dealers can be brutal. But he has a sophisticated side, too. What about his 2½ in French from Oxford? What about his knowledge of the highly technical aspects of the derivatives market, the esoteric world of options, forwards and delta hedging?

And what journalists and politicians never understand is that not all of an FX manager's time is spent pushing buttons. Much of it is spent out of the office, flying to Paris, New York and Frankfurt, talking to the bank's blue-chip clients: the pension funds, the insurance companies and the big multinationals.

These are the really big players in foreign exchange, sophisticated fund managers with billions of dollars under their control and anxious to hedge their bond exposures. "Getting to know the clients, managing their investments and taking a premium on the buy/sell spread: that's the basis of Global's earnings whether there's a currency crisis or not," Stanley says.

He rarely allows the public perception of spivvy dealers to get him



It's been a lively week for dealers in the foreign exchange market

down. He is addicted to deals. He trades a large part of the bank's proprietary book when in the office. And, at lunch, he loves to play with his pocket Reuters machine, which gives the latest moves in the dollar/D-Mark exchange rate.

There has never been a better time to be in the business. Global's foreign exchange balance sheet since Black Wednesday has been pushed up not only by trading in fund managers' money but also by Stanley's aggressive risk-taking with the firm's own capital.

Turnover was up 100 per cent in the past three years; there was a bigger net profit in the first half of 1993 than in the whole of the previous year; and the discreet mention of "our outstanding capital markets activities" in Global's glossy annual report is a source of pride.

Stanley's annual take-home pay, including bonuses, should be in the £400,000 area by Christmas. Assuming, that is, that the French franc behaves itself. Stanley cannot help

but daydream about events since last weekend.

On Sunday night, he was inside Global's glass and concrete building near St Paul's, waiting with his top dealers for the results of the EC finance ministers meeting.

At once, he knew that the widening of the ERM bands was a technical way of floating the whole system. "The Germans have kicked sand in France's face," he told Giovanni and the team. "The French will cut interest rates. We could be looking at FF3.60 to the D-Mark by Friday."

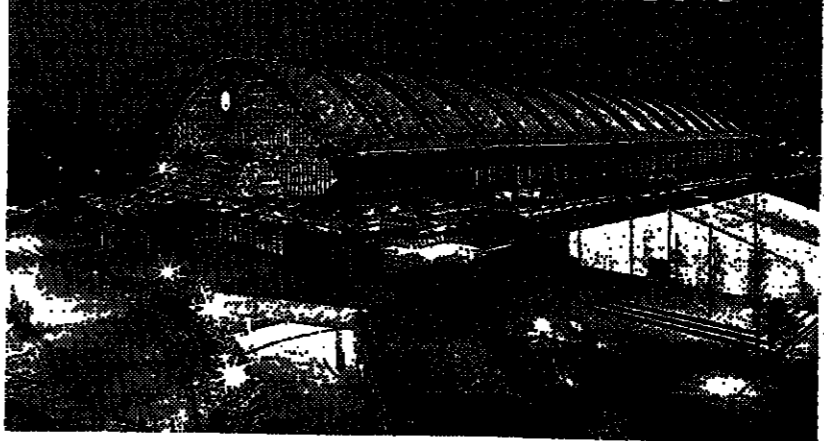
On Monday morning, some of his hedge fund clients were asking him to take massive speculative positions on their behalf against the franc. He, too, decided to take a risk with Global's own book.

But the cut in French rates never came. France jacked up the cost of borrowing francs and nearly pushed the currency back into its old ERM trading range. The market was outmanoeuvred, and the choice for every risk-taker was the same: take a loss on the exchange rate or hang on, paying the French banks a huge interest rate premium. The losses ate into Global's FX profits.

Still, Stanley will not lose much sleep. The future for currency dealing looks rosier than ever now the ERM has effectively gone. "There will be greater currency volatility. Those pension funds will be even more keen to buy Global's financial products, hedging their bond portfolios against currency risk in these wild times. And the French will not keep their rates high for long."

But somewhere in the back of his mind Stanley may be starting to consider how long the turmoil can last. France has shown how keen it is to hang on to the D-Mark. And, in 18 months, when German rates are down at lower levels, Europe's currencies may be back in the strait-jacket again, only this time it will be tighter. If Stanley Smartcash is really smart, he might be giving some thought to becoming a Ferrari salesman.

James Blitz

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Nudge-nudge, wink-wink...

Philip Stephens provides a guide to the speculations and subtleties of pre-Budget fever

Chancellors are kind to journalists. Mr Kenneth Clarke is no exception. For several months each year they allow us to fill the newspapers and airwaves with guesses, leaks and speculation (informed and otherwise) about the Budget.

The latest occupant of No 11 Downing Street is an instinctively talkative politician. He has abolished purdah, the two-month period before Budget day, during which past chancellors have observed a monastic silence.

But Mr Clarke has not altered the practice which provides essential grist for the media mill. All tax changes are decided by Treasury ministers and their mandarins in conditions of the utmost secrecy.

This absurd rule guarantees that every nod, wink and raised eyebrow before the first "unified" Budget on November 30 has the potential to blow one of those front page slots with a speculative certainty. Readers and listeners are left with the awkward task of disentangling fact from fiction, genuine hints and leaks from well-packaged invention.

So what follows is a guide to pre-Budget fever - a few broad rules against which the scare stories should be tested before they are believed.

The first thing to remember is that crucial decisions on the overall tax burden - known in the trade as the Budget judgment - will not finally be taken until mid-November.

Those late August stories (known more appropriately as "leakers"), asserting that the chancellor has already decided to slap 2p on

income tax and abolish mortgage interest relief can safely be ignored. Mr Clarke already has a fair idea of his overall aim. He wants government borrowing to fall at a faster rate. He has already set tough targets for public spending which will be unveiled alongside tax changes in the first "unified" Budget bringing together the revenue and spending sides of the government accounts.

But he will wait until the last moment before deciding whether to announce, say, a net increase in the tax burden of £5bn or £10bn, or whether to opt for a more neutral package. (You can rule out a net "giveaway".) A premature judgment could too easily be overtaken by subsequent economic developments.

His assessment is complicated further by the deferred tax increases, due in 1994 and 1995, put in place by Mr Norman Lamont, his predecessor. Everyone knows that Mr Lamont imposed value-added tax on domestic fuel and heating. But his March package included 49 other measures ranging from tougher rules for relocation expenses to a new exemption for outplacement counselling (whatever that is).

There are other time bombs Mr Lamont left ticking in his successor's battered red box. Among them are a 1-point rise in National Insurance contributions, as well as

restriction of mortgage interest relief and married person's allowance to the 30p income tax rate from next April.

For every measure announced, the chancellor will discard up to half-a-dozen other options. And since every occupant of No 11 wants to be known as a "reforming chancellor", Mr Clarke will examine closely upwards of 200 possibilities.

Keeping track of all these options is impossible. But some clues can be gleaned from representations by powerful lobby groups like the Confederation of British Industry and from kite-flying by Whitehall departments.

The interventionist duo at trade and industry and at employment - Mr Michael Heseltine and Mr David Hunt - will want, for example, measures to promote a pro-industry image. Extra help for exporters must be a good bet.

Mr Clarke's self-image as a "people's chancellor" means the charity, low-pay and welfare lobbies should get a fairer hearing than in some previous years - always remembering, of course, that he does not have cash to throw around.

But what of the big decisions - on income tax, VAT, excise duties, and company taxation? Here the important point is that Mr Clarke is operating within two sets of, often overlapping, parameters - economic and political.



The most obvious is the economic. Everyone knows he must cut the public sector borrowing requirement. So some further increase in taxation is a reasonable prospect.

But beware. Though they would never admit it publicly, few Whitehall officials believe that the borrowing requirement will actually

reach £30bn this year. The economy, and with it tax revenues, are growing faster than the Treasury expected.

The best guess of those in Whitehall who know about these things is that Mr Clarke may well get away with a net tax increase of between £5bn and £6bn. Optimists say the range is from zero to £4bn. The few remaining pessimists say £10bn.

Here we come to the politics. Mr Clarke's first priority will be to ensure that whatever he announces on November 30 will come as a relief. So do not worry about the inevitable explosion of pre-Budget doom-mongering.

An increase in the basic rate of income tax from 25p is off-limits. Even if Mr Clarke wanted it, Mr Major would not accept it - nor would the restless Tory backbenches. An increase in the 40p top tax rate is more plausible, but would still smack of total retreat from the low-tax 1980s.

Unless he is overruled by his Downing Street neighbour, Mr Clarke will not abandon even the second stage of the phased introduction of VAT on domestic fuel. Chancellors cannot afford to retreat once measures are on the statute book.

Nor should anyone pay too much attention to the speculation - judiciously encouraged by the chancellor - that he is planning wholesale extension of VAT to other zero-rated items like food and public transport.

Newspapers, maybe even books and magazines, could be a target. If the technical obstacles could be overcome, the exemption from VAT of financial services (at a cost of £3.3bn a year) might be another.

But Mr Clarke is smart enough not to follow up Mr Lamont's tax on

warmth with others on baked beans and bus rides.

Much easier, despite his own liking for more than the odd pint of beer and small cigars, would be to slap a few pennies on the price of alcohol, tobacco and petrol - though even here he will have to watch the impact on the inflation rate.

Industry looks set to escape lightly. There are many in the Treasury who believe companies did too well out of corporate tax reforms in the 1980s. But a chancellor who applauds publicly the real people who make real things can hardly follow up with a kick in the teeth for Midlands manufacturers.

None of this leaves much room for manoeuvre if Mr Clarke does decide he needs to raise more than the odd billion or two. But here we come to perhaps the safest bet.

He could raise more than £1bn by freezing the main income tax thresholds. A whacking £5bn-£6bn could be had from restricting the personal income tax allowance to the 20p rate of income tax.

Adjusting allowances would have the advantage of being perceived to be fair. The high-income middle classes would suffer most. Some of the money could even be given back to those on low incomes (the elderly defectors to the Liberal Democrats in Christchurch) by extending the 20p tax band to, say, the first £5,000 of taxable income.

A package like that - dressed up with a few other clever Treasury wheezes - would have a distinctly Clarke-ish feel to it: tough but equitable.

But then all this, of course, is speculation.

Buckingham Palace opens its doors to the public today, providing London with a new attraction which the UK tourist industry hopes will help bring back the Americans.

All of Europe's main tourist centres are waiting to see whether high summer will provide proof that US visitor numbers are on the increase. Some European hoteliers say they have had more US visitors this year than last. But despite the depreciation of the pound, the franc and the Italian lira against the dollar over the past year, and further currency turmoil this week, Americans have generally been slow to take advantage of cheaper prices.

The British Tourist Authority says 1.1m North Americans visited the UK in the first five months of this year, slightly down on last year's 1.2m and still below the level of 1990, the year before the Gulf War. Visitor numbers to the UK from the rest of Europe are far healthier.

Lecture consultants Pannell Kerr Forster say that occupancy in London's hotels rose 4.3 percentage points to 69.3 per cent in the first half of 1993, compared with the same period last year. North Americans, however, accounted for only 21 per cent of hotel guests in the capital, compared with 22.6 per cent in 1992.

In France, the Regional Committee for Tourism said it was too early to provide any firm statistics, but added that US tourism to Paris has "definitely fallen" so far in 1993.

Precisely how many Americans are visiting Italy is difficult to determine, as the tourism ministry closed permanently this week, following a popular referendum decision in April to devolve its powers to the prime minister's office and regional governments. Although Alitalia, the Italian state airline, says passenger traffic from the US has risen by about 4 per cent this year, some analysts had been expecting a sharper increase.

Many European tourism officials have been puzzled by the failure of the Americans to arrive in large numbers. US visitors to the UK, France and Italy can now get more local currency for their dollars than a year ago. On the first Monday in August this year, a US dollar would have bought 64p, FF45.50 and L1.574 at Thomas Cook branches in the UK, France and Italy respectively. On the first Monday in August 1992, a dollar would have bought 49p, FF44.55 and L1.482.

Mr Robert Franklin, marketing director of the BTA in the US, says the authority, along with airlines and other travel companies, has spent \$750,000 spreading the message that Britain is now a cheaper destination, with full-page advertisements in the American press. The authority has also sent out "an awful lot of press releases to papers in the US". The message has taken a long time to get through. "It's a bit depressing," he says.

US visitors are not attracted by cheaper currencies, say Michael Skapinker, Alice Rawsthorn and Haig Simonian

Cheap money is no bargain



A right royal wait: visitors queue for today's opening of Buckingham Palace

Surprisingly, terrorist bomb attacks in Europe do not appear to be the reason American visitor numbers have been disappointing. After each IRA attack in the UK, Mr Franklin says his staff have "sat braced, waiting for the phones to ring. They haven't."

Although Florence, Rome and Milan have been rocked by bomb attacks, local hotels report few cancellations by Americans. That contrasts with US reactions in the mid-1980s, when terrorist incidents at Rome airport and on the Achille Lauro cruise ship provoked a huge wave of cancellations.

Many in the travel industry point out that the price of holidays in Europe is only one factor. Americans consider when deciding whether to venture

abroad. Among the reasons cited for the disappointing numbers of Americans in Europe are that the US economy is recovering only fitfully, that many still fear unemployment, that they are worried about possible tax increases, and that much of the optimism generated by President Bill Clinton's election last year has dissipated.

The picture has not been uniformly gloomy. Some companies that have marketed themselves heavily in the US say they have had a healthy increase in American visitors. Forte, the UK's largest hotel group, says American visitor numbers have increased significantly since the start of the year, although it declined to give specific figures. Forte says US visitors are still looking for

Victorian values back in vogue

Tracy Corrigan and Philip Coggan on how the ERM debacle has invigorated the gilts market

Predictions that the loosening of the shackles of the European exchange rate mechanism would spell the end of the long-standing bull market in UK government bonds proved inaccurate this week. In the event, the shake-up in Europe's currency markets has given gilts a new lease of life.

Continental European countries are not rushing to ease interest rates, now that they no longer need to keep them at artificially high levels to support their currencies - unlike the UK, which slashed rates after sterling's hasty exit from the ERM last September. Therefore the incentive to switch into continental bond markets is less pressing.

In the meantime, long-term bond yields are still higher in the UK than in many other European markets, and foreign investors are confident that sterling will hold steady.

As a result, foreign investment flows into gilts and European bonds have shot up by the latest figures, for June, show gilt purchases of £1.1bn. The inflow will help absorb this year's £50bn supply of gilts, which is needed to bridge the widening budget gap.

Above all, the latest leg in the gilt-edged market's rally can be attributed to the fact that "people have become extremely optimistic on economic fundamentals", according to Mr Chris Anthony, an economist at UBS, the Swiss bank.

Low inflation and low growth are both positive news for the gilts market. For economists, these factors point to a fall in real (with inflation stripped out) yields, as well as nominal yields.

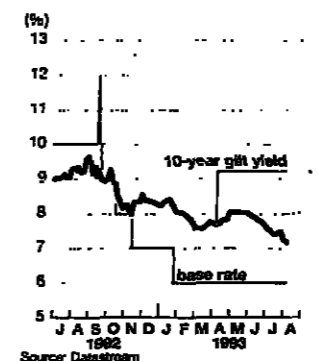
If this happens, investors with money in short-term deposit accounts could find themselves earning negative interest, in real terms. "If you wait until that happens, you will have missed the boat,"

because the market will already have rallied, said Roger Bootle, chief economist at Greenwell Montagu, the gilts market maker.

Mr Kit Juckes, an economist at SG Warburg, the UK merchant bank, also believes the gilts market is an attractive buy. "The only reason you can still get 7% per cent yields at the long end of the gilt market is that investors have yet to appreciate fully that inflation is down and is staying down this time," he said.

Many economists are arguing in favour of index-linked gilts, which protect investors

UK rally: far from over



vate investors little incentive to venture into the bond market.

The government has now recognised the role that private investors can play in meeting its increased funding needs. In April, it published a booklet explaining the complexities of the gilts market, and produced simpler application forms for investors wishing to take part in its issue of 7% per cent 1998 stock. The National Savings Stock Register, which operates through post offices, is a cheap and relatively easy route for private investors to buy gilts.

Nevertheless, there are still some snags. Many gilts trade at above face value, which means that an investor who holds an issue until maturity will suffer a capital loss. Choosing an issue from the wide range of maturities and coupons - or interest payments - can be bewildering for investors accustomed to the relative simplicity of an instant access account.

The answer appears obvious - bond funds. These buy portfolios of gilts and then sell units to private investors, who are thereby relieved of the problem of choosing the right gilts issue and (if the fund is well managed) likewise of the problem of capital loss.

Bond funds have yet to take off in the UK market, with less than £2bn of such funds under management onshore, out of a £68bn total for all unit trusts. One problem may be that the management charges take a chunk out of the yield of the funds and make them less attractive to investors.

But in the US and continental Europe, private investors commonly hold their savings in the form of bonds. In the 19th century, wealthy Britons used to hold bonds for income - the family in John Galsworthy's *Forseti* saga put their trust in government-issued Consols. Perhaps this is one Victorian value which is making a comeback.

A policy prerequisite for tied European currencies

From Dr Richard Coghlan.

Sir, Samuel Brittan ("Europe will still need a monetary system", August 2) is to be congratulated for drawing attention to the irresponsible behaviour of the Bundesbank in its conduct of monetary policy. To be fair, the Bundesbank does not want to set policy for Europe, but nor do the council members want a separate European central bank. However, if European currencies are to be tied together, monetary policy must be decided by European interests, not those of a single economic area.

Make policy consistent with the system and there need be no problem. Inconsistent policies produce instability; there should be no surprise over recent events. ERM members have been trying to square the circle, with the inevitable, disastrous consequences.

The same article also discussed the issue of inflation convergence, and this is much more controversial. Mr Brittan, like most commentators, continues to give most of the credit for lower inflation

LETTERS TO THE EDITOR

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Lysold is not a viable answer for Lloyd's

From Mr R R S Hiscox.

Sir, Mr David Springbett (Letters, August 3) cannot get on getting away with his "Improved solution for Lloyd's". His plan is worse than naïve: it is deceptively attractive to Names who have suffered enough and makes a number of unsustainable false promises.

Mr Springbett's planned company, Lysold, is to take all the reserves from syndicates and from Lloyd's centrally. Out of these reserves he will produce a surplus of £1bn to capitalise Lysold and, without having to use any Funds at

Price of others' privilege

From Mr Edward N Addison.

Sir, The arrogance is breathtaking. The advice given by their professionals, whether good or bad, has to be paid for. The sums lost to the UK by some of those 500 City firms wishing to be left in peace are enormous.

Yet they have the impertinence to wish to withhold rights to other traffic to travel their habitat - all in the name of security of their own lives and possessions and the enjoyment of peace and a better environment.

I have no doubt that those working and living in the City benefit by the restrictions, but why should the rest of us have to pay for this enormous privilege; they are requesting them for no better reason than that it suits a tiny coterie thriving on nepotism.

A short trial of the measures in the quasi-holiday period is not proof of anything except the wish to rush them through before the enormity of the obstructions is realised by the general public.

The householders has no right to the street in front of his building - the City has no right to annex its streets in the name of its own well-being.

Edward N Addison, chairman.

The Addison Tool Company, Elliott House, Victoria Road, London NW10 6NY

Joy of a poetic frame of mind

From Mrs May Postgate.

Sir, Michael Glover writes in his article, "Poetry with perception" (July 31-August 1): "Learning poetry by rote in UK schools is, effectively, dead - and few would wish anything else."

I am one of the few. I wish I had learned a hundred times more than I did, while it was still easy. A mind without snatches of poetry, and some good long places, must be like a mind without tunes.

Mary Postgate, Houndean Lodge, 1 Houndean Rise, Levens, East Sussex BN7 1EG

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES
D-Mark marches upward

The D-Mark made substantial gains yesterday against all the major European currencies and the dollar, as currency markets continued to work through the effects of last week's heavy central bank interventions, writes Stephanie Flanders.

The mark gained nearly 2 pence against sterling to close at DM2.5425, down from Thursday's high of DM2.5800, and against the dollar the German currency rose over a penny to close at DM1.6375 compared to the previous day's DM1.6155.

Other European currencies were similarly outmatched by the strength of the D-Mark, in spite of the fact that the French, Danish and Belgian central banks have yet to lower overnight lending rates from the crisis levels reached during last week's currency turmoil.

Few doubted that the D-Mark's gains could be traced to the after-effects of last week's central bank interventions. "People can see that there are a lot of D-Marks sloshing about," said Julian Callow of Kleinwort Benson in London. "They are going to have to be drained, and that process is good for the D-Mark." Several traders suspected that ERM central banks whose currencies were under pressure last week were now paying back they owed to the Bundesbank by selling sterling or dollars for marks.

The French franc lost 2.5 centimes on its opening level against the German unit, closing at FF9.485. Several traders believed that the Bank of France's fragile foreign reserve position would put a downward bias on the franc for some time to come, even without a rapid fall in official lending rates.

"If anything was surprising, it was the strength of the franc earlier in the week," said Alison Cottrell of Midland Global Markets in London. "It will probably slip a bit more, given how much re-building there is going to have to be of the Bank of France's reserves." Sterling finished the day a touch weaker against the dollar at \$1.4980, from a previous close of \$1.4910. The fact that there had been very little change in the pound's relative position against the American unit was further evidence that the weakening against the D-Mark had been driven by conditions on the Continent.

"Sterling was just caught in the cross-fire," said Simon Callow. The same pressures were taking the dollar lower against the D-Mark. Otherwise, the markets had been little moved by the release of US non-farm payroll data which showed a rise of 182,000 in July. Overseas attributed this to traders waiting to see the outcome of last night's Senate vote.

FINANCIAL FUTURES AND OPTIONS

Table with 3 columns: Instrument, Price, and Change. Includes sections for FTSE 100, DAX, and Nikkei.

FTSE 100

Table with 3 columns: Instrument, Price, and Change. Includes sections for DAX and Nikkei.

DAX

Table with 3 columns: Instrument, Price, and Change. Includes sections for Nikkei and other indices.

Nikkei

Table with 3 columns: Instrument, Price, and Change. Includes sections for other indices.

£ IN NEW YORK

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

STERLING INDEX

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

CURRENCY RATES

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

CURRENCY MOVEMENTS

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

OTHER CURRENCIES

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

FORWARD RATES

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

FORWARD RATES AGAINST STERLING

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

MONEY MARKETS

Rates stay up

The Bank of France made a nod towards future monetary easing yesterday by bringing back a key lending facility, but it refrained from lowering the high cost of using it, writes Stephanie Flanders.

For some, the French authorities' decision to re-introduce its five to ten day re-purchase rate, at a level of 10 per cent was an encouraging step towards more normal monetary conditions in the Paris market after the continued tightness of the past week. The rate was withdrawn to discourage speculators at the height of the recent currency tensions, on July 22. "The French are halfway to normality," said one analyst, "they've dipped their toes in it."

UK clearing bank base lending rate 6 per cent from January 25, 1993.

But others said that bringing back the window at the overnight emergency rate which temporarily replaced was an official sign that significant interest rate cuts were going to be slow in coming. "When they withdrew the facility earlier in the year, it was reinstated at 7.75 per cent," said one London-based trader. "The fact that they have kept it high is probably a sign that they are only going to ease overnight rates gradually."

At the end of Friday, the market appeared to have settled on the latter view, at least for the weekend. September Franc futures closed at around 93.50, significantly below its morning peak of 122.08.

Elsewhere in European money markets, the Danish and Belgian authorities continued to maintain the tight stance which they have stuck to ever since the weekend's reforms of the exchange rate mechanism. Several in the market commented that the rates could not be kept at such high levels very much longer in either Belgium or Denmark. "If anything, the French policy is more sustainable," said one analyst.

In London markets, trading was quiet compared to the activity of the preceding two weeks. Another small shortage of \$500m was easily dealt with in early afternoon purchases by the Bank of England. The Bank also announced that no six month bills would be offered until further notice.

"Overall, the London money markets have followed the French market for much of the week," said one London-based analyst. "In France the expectations of interest rate cuts have also faded a little."

EMS EUROPEAN CURRENCY UNIT RATES

Table with 3 columns: Instrument, Price, and Change. Includes sections for other currencies.

POUND SPOT - FORWARD AGAINST THE POUND

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DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

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EURO-CURRENCY INTEREST RATES

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EXCHANGE CROSS RATES

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FT LONDON INTERBANK FIXING

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MONEY RATES

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LONDON MONEY RATES

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CHICAGO

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U.S. TREASURY BONDS (91%)

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U.S. TREASURY BILLS (90%)

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U.S. TREASURY NOTES (91%)

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MONEY MARKET

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FT-SE 100 Index closes at new peak

By Terry Byland,
UK Stock Market Editor

THE FT-SE 100 Share Index reached a new all-time closing high last night, having earlier come within a few points of its intra-day peak. Optimism on interest prospects in the UK and across the range of countries in the ERM was buttressed by strength in UK government bonds and by demand for stock index futures. Increased activity by UK private investors was reported, and the FT-SE mid 250 index rose to yet another peak.

Buyers were in the majority from the opening of the market. Spurred on by the future, the Footsie turned strongly ahead at mid-morning and by

Account Dealing Dates			
First Dealing	Jul 19	Aug 2	Aug 16
Option Expiry	Aug 12	Sep 2	
Second Dealing	Jul 30	Aug 16	Sep 3
Account Day	Jul 20	Aug 17	Sep 4

mid-session showed a gain of 31 points at 2,974.4, but the market proved unwilling to challenge the mid-March intra-day peak of 2,989.9, and share gains were trimmed later.

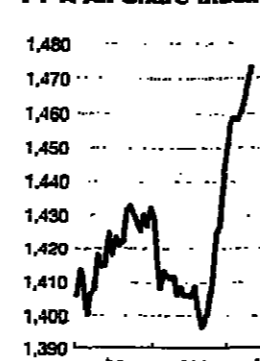
At the final reading, the FT-SE index showed a net gain of 26.4 at 2,969.8, comfortably exceeding the previous closing high of 2,957.3 achieved on March 8. Gains among second

line stocks were equally widespread, the FT-SE Mid 250 index gaining 30.5 to 3,392.8. Seaq volume rose to 881.3m shares from Thursday's 616.4m which was worth £1.41bn in customer business value. Business in non-Footsie stocks, finally around 59 per cent of the total, increased strongly towards the close.

The continued strength of the Footsie Mid 250 index, together with the turnover in non-Footsie stocks indicated UK private investor activity. Sharelink, the execution-only stockbroker which came to the market a week ago, said it had seen more transactions this week than in the whole of August last year.

Some equity strategists

FT-A All-Share Index



warned yesterday that interest rate cuts by ERM members should not be taken for granted. Mr Ian McCafferty of

NatWest Securities suggested that ERM members "have not abandoned currency stability as a policy aim," and will conduct policies accordingly.

But such warnings fell on deaf ears yesterday afternoon when it was clear that investors were gearing themselves up for a strong start on Monday morning to the second leg of the UK equity trading account. This week has brought gains of around 1.5 per cent in the Footsie stocks and about 2.6 per cent in the Mid 250 listed issues.

Long-dated government bonds gained just over one point, but the near dates showed little change. The issue of £1.5bn tranches of existing bonds was announced.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume	Value	Stock	Volume	Value
BP	1,200	£1.20m	Shell	1,200	£1.20m
British Airways	1,200	£1.20m	British Telecom	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Steel	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
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British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
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British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
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British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
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British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.20m	British Virgin Islands	1,200	£1.20m
British Virgin Islands	1,200	£1.20m	British Waterways	1,200	£1.20m
British Waterways	1,200	£1.20m	British Airways	1,200	£1.20m
British Airways	1,200	£1.20m	British Petroleum	1,200	£1.20m
British Petroleum	1,200	£1.20m	British Telecommunications	1,200	£1.20m
British Telecommunications	1,200	£1.			

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4376 for more details.

Table with 4 columns: Fund Name, Unit Price, and other details. Includes funds like State Street Unit Trust, Lazard Investments Ltd, and others.

Table with 4 columns: Fund Name, Unit Price, and other details. Includes funds like Lazard Investments Ltd, Lazard Investments Ltd, and others.

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INSURANCES

Table with 4 columns: Fund Name, Unit Price, and other details. Includes funds like Lazard Investments Ltd, Lazard Investments Ltd, and others.

OTHER UK UNIT TRUSTS

Table with 4 columns: Fund Name, Unit Price, and other details. Includes funds like Lazard Investments Ltd, Lazard Investments Ltd, and others.

Vertical text on the right margin, likely a page number or index.

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]**BERMUDA (SIR RECOGNISED)**[illegible]

Pen Accum	Y= 2838.0	+0.1	2.0
Pen Dist	Y= 2901.0ml	+0.2	2.0

Pricing for dealing Aug 8

Lynd George Management		
11 Cedar Ave., Hamilton, Bermuda		HK 852 945452
World Success Aug 2, 1989	5	8,8054
Newport Investment Management		
13 Front Street, Hamilton, Bermuda		
Pr. 0434 735881		Gurnsey 0860 719196
Investment Subfund First Ltd		
Investment Plan Class 1	1	1,8143
Investment Plan Class 2	1	1,2091
Investment Plan Class 3	1	
Investment Plan Class 4	1	
Investment Plan Class 5	1	
Investment Plan Class 6	1	
Investment Plan Class 7	1	
Investment Plan Class 8	1	
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Investment		

CANADA (SIB RECOGNISED)

	Int Change	Cash Price	Std Price	Offer Price	+ or - Yield Gr%
ISC Asset Management					
IC Agent: Henry & Sons Plc					
One One One Square, Edinburgh EH2 4JZ					
ISC Int America 6 1/2 %	-	102	102.25	102	-
approx 50y Expiry	-	2	2.78	-	-
Dealing Thursdays-Forward					
GUERNSEY (SIB RECOGNISED)					
	Int Change	Cash Price	Std Price	Offer Price	+ or - Yield Gr%

JB Grofund Inv Managers (Guernsey) Ltd
 PO Box 255, St Peter Port, Guernsey CI 0481 710651
JB Grofund International Ltd

[illegible]

Address Currency-DMA	DMA	25.70	---	---
Address Currency-ECU	ECU	15.47	---	---
Index Currency-Sq Mpl. 4	S-	10.28	10.70	---

[illegible]

Capital Strategy Fund (Daily)	\$	1.000		2.18
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[illegible][illegible]

Age-Adi PQR	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
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Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
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Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
Age-Adi Energy Fund	24	330.37	36	32.56	-0.08	10	30
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1. Introduction

AMERICA

Dow hesitant ahead of budget vote

Wall Street

IN spite of good economic news and a sharp rise in Eastman Kodak shares, US stock markets struggled to stay in positive territory yesterday amid continued doubt over the fate of President Bill Clinton's first budget. *writes Patrick Harrison in New York.*

At 1 pm, the Dow Jones Industrial Average was up 2.24 at 3,551.21. The more broadly based Standard & Poor's 500 was 0.11 lower at 448.02, while the Amex composite was down 0.34 at 435.19, and the Nasdaq composite up 1.54 at 717.04. Trading volume on the NYSE

was 130m shares by 1 pm. The week ended with the markets' attention focused on Washington, DC, where Mr Clinton was fighting to ensure his first budget passes through Congress. Although the House of Representatives narrowly approved his deficit-reduction package on Thursday night, the Senate was not due to vote until late on Friday night.

Although most observers expected the budget to be passed, the outcome of the vote appeared to rest in the hands of one Democratic senator, who was refusing to say which way he would vote.

Consequently, equity investors were reluctant to commit

funds to the markets while the budget's future was still in the balance. Analysts feared that if the budget fell at the last hurdle, bond prices would drop sharply when the markets reopened on Monday, and stock prices would quickly follow suit.

Even some rare bullish economic news failed to spur much buying. The July employment report showed a 163,000 increase in non-farm payrolls, and a bigger-than-expected decline in the national unemployment rate from 7 per cent to 6.8 per cent.

The big story was Eastman Kodak, which jumped 3% to \$68 1/2 in volume of 4.5m shares

after the company announced its chairman Mr Kay Whitmore was stepping down. Investors hope that the change at the top of Kodak will trigger a revival in the company's fortunes.

Other Dow stocks were in mixed form. IBM fell 1/2% to \$43 1/2, Philip Morris rose 1/2% to \$47 1/2, and International Paper climbed 1 1/2% to \$65 1/2.

Car stocks, which have been much in demand since the Big Three manufacturers announced big improvements in second quarter earnings, ran into profit-taking. General Motors fell 1 1/2% to \$42 1/2, Chrysler slipped 1/2% to \$42 1/2, and Ford dropped 1 1/2% to \$51 1/2.

On the Nasdaq market, the big technology issues continued to lead stocks to new record highs. Apple climbed 1/2% to \$30 and Intel put on 1/2% to \$56 1/2.

Canada

TORONTO continued to decline as stocks levelled off in sluggish morning trade. Gold stocks were off 1/2% in midday trading to \$75.17 as gold prices dropped to C\$373 an ounce from C\$380 an ounce.

The TSE 300 index fell 3.28 to 3944.30 in volume of 17.12m worth C\$168.0m. Advances led declines 256 to 209, with 257 unchanged.

Corporate Germany confident worst is over

Are hopes riding too high asks Christopher Parkes

Ignoring mutterings, mainly from beyond Germany's borders, of the threat to industrial competitiveness posed by the effective removal of the European exchange rate mechanism's corset last weekend, the markets have continued their modest but determined upswing.

Not even a post-war high in western Germany's July unemployment figures, reported yesterday, could deter traders. As far as the markets are concerned, the general rise in the jobs is a further sign that industry is seriously getting to grips with its structural problems. The DAX index closed yesterday up 8.68 at 1,869.38.

On Thursday, for example, news of a further 9,000 job losses looming at Volkswagen was seen as a sign of determined management and credited with some of the DM12.50 rise in the shares after an extended twitchy spell due mainly to the so-called "Lopez Effect". Yesterday the shares were unchanged at DM374.

Markets have also been encouraged by a detectable increase in business confidence. In spite of an unexpected 1.5 per cent drop in incoming industrial orders in June - a figure affected by a dip in capital goods demand which concealed progress elsewhere - the Bundesbank and government appear to have convinced corporate Germany that the worst is past.

Cyclical stocks, especially chemicals, have been among the chief beneficiaries of the boom given by hopes of an end to recession, chemical sector shares have also been helped by rapid implementation of restructuring.

Scherer which this week reported a stout half-year performance, is well ahead in transforming itself into a pure pharmaceutical company, by off-loading its agrochemical divisions into a Hoechst-controlled joint venture.

Its shares closed yesterday up DM18.50 at DM88.50.

While the mood is not exactly euphoric, the markets reflect the widespread belief

within Germany that when the international upswing comes, industry will be best placed to take advantage of increased demand, particularly for capital goods.

While other European economies have seen industrial bases eroded by recession-induced disinvestment, German industry is packed with plant installed in the post-unification rush.

Even so, as Mr Günther Merl, head of the publicly-owned Landesbank Hessen-Thüringen (Helaba), warned this week: the trees are not likely to grow all the way to heaven in the foreseeable future.

Hopes of recovery still have to be realised, he warned.

Germany

Indices rebased

115

110

105

100

95

May 1993

Aug

Source: FT Graphite

While the DAX index seems to be heading steadily towards 1,900, he believes a dip to around 1,750 is still possible.

At best, he forecasts sideways movements in the coming weeks. The "air is getting thin," he says, noting that large institutional investors are currently operating more on the sell side, while private investors are still buying.

Some are even more pessimistic. Among others, Mr Martin Hüfner, chief economist of the Bayerische Vereinsbank, warns of a possible "double-dip" recession. While the Bundesbank has shown itself to be pleased by the government's commitment to slashing federal spending by around DM25bn next year, the cau-

tious observers point out that this sum, amounting to almost 2 per cent of gross domestic product, is to come mainly out of unemployment and other welfare benefits. In effect, it spells a looming potential cut in domestic consumer demand of around this order, which is bound to have a detectable impact on company prospects.

Frankfurt analysts suggest that the present index levels reflect expectations of profits to come in 1994 and 1995 rather than any actual developments. To justify current prices, the pessimists say, earnings will have to grow by 45 per cent.

Closer to hand remains the expectation that France will reduce its short-term interest rates by at least two points and that the franc will depreciate against the D-Mark by at least 5 per cent. France buys around 17 per cent of German exports. While there will be corporate gains to be made on incoming trade, outgoing business seems bound to suffer. The engineering and car sectors, early first export earners, both rely on France for more than 10 per cent of their annual sales.

Markets also have to reckon with the prospects of domestic rate cuts, although the Bundesbank's recent performance does not provide much ground for optimism. Although long-term rates, at which most of industry does its borrowing, are close to record lows of about 2 per cent, the central bank is still reluctant to loosen the reins too soon.

Once again, the government, which is now the main driving force in credit markets at present and is mainly responsible for above-target monetary growth, has yet to deliver the promised spending cuts.

The last thing to be expected from the incoming leadership at the bank is a reversal of existing policy. Mr Hans Tietmeyer replaces retiring president Mr Helmut Schlesinger in September, with a hard-headed monetarist Mr Hans-Wilhelm Gaddum as number two. Neither of them has a reputation as a soft touch.

EUROPE

Paris ends at all-time high on rate cut hopes

EXPECTATIONS of lower interest rates drove continental bourses higher yesterday, *writes Our Markets Staff.*

PARIS closed at a new all-time high as investors took the view that a cut in interest rates was imminent after the Bank of France reopened the five to 10 day lending facility that had been suspended on July 22 when speculation against the franc began to intensify.

The CAC-40 index ended 34.53 higher at 2,149.53, a day's rise of 1.6 per cent and a week's of 3 per cent. Turnover remained heavy at FF4.5m.

Cyclical and financial sector stocks were strong with the finance sub-index gaining 1.4 per cent. Peugeot added FF4.14 to FF78.80 and Michelin FF6.60 to FF78.80.

AMSTERDAM ended the week in strong form, up 0.3 in the CSE Tendency index at 123.4, a gain of 1.1 per cent on the week.

There was a further decline in Elsevier, down FI 2.80 at FI 132.90 as investors took

another look at Thursday's results.

Hogovens was very strong ahead of next week's results, putting up FI 3.50 or 7.7 per cent to FI 46.20. Home Grovet forecasts a net loss of FI 21m for the half year period and notes that while expectations of a return to profit makes the stock attractive on a long-term view, "we would hold off from buying in the wake of the recent run in the price".

MILAN resumed its advance, the telecommunications sector once again providing the lead, and the Comit index rose 1.01 to 381.49 for a 3.2 per cent rise on the week.

Sip, the day's most active issue in volume of 23.3m shares, rose L188 or 6 per cent to L3,231 while Stet firmed L92 to L4,154 in volume of 15.3m shares.

The renewed enthusiasm followed approval of the sector's reform by postal minister Maurizio Pagani that will eventually lead to a single telecommunications group.

Olivetti also posted solid

FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1271.94	1273.43	1273.47	1272.94	1271.94	1270.73	1270.92	1272.34
FT-SE Actuaries 200	1345.80	1348.79	1347.30	1347.30	1346.87	1346.83	1346.83	1346.44

Aug 5	Aug 6	Aug 7	Aug 8	Aug 9	Aug 10
FT-SE Actuaries 100	1280.56	1280.08	1281.49	1282.48	1283.91
FT-SE Actuaries 200	1340.80	1339.81	1341.55	1342.40	1343.55

Notes: Index 1000 (2000) High: 100 - 1273.43 Low: 100 - 1270.73

gains, rising L54 to L1,878 with 11.2m shares dealt. Kleinwort Benson, which recommended the stock this week, said it regarded Olivetti as the most attractive of the big blue chip industrials at present, not least because the shares had underperformed by 30 per cent over the last year, in spite of the recent rally.

ZIMMER saw some profit-taking that left the SMI index 0.8 lower at 2,423.5, 1.0 per cent up on a week that has seen the index at its all-time high.

Swissair, whose shares were under pressure on Thursday, shed SF735 or 4.9 per cent to SF715. The airline's announce-

ment of a first half net loss of SF125m, compared with last year's SF116m, was worse than analysts had been expecting.

Nestlé edged SF11 above Thursday's low for the year to SF11,018 although analysts commented that the share continued under pressure.

STOCKHOLM saw turnover rise to a record SKr3.9bn as Sydkaft, the electricity producer, divested itself of its entire shareholding in AGA, the industrial gas group, accounting for SKr1.5bn of the total.

The Affärsvärlden general index rose 8.60 to 1,250.10, up 4

per cent on the week.

AGA B shares closed up SKr18 at SKr388 Sydkaft A shares added SKr5 to SKr146.

OSLO closed at a new 1993 high, the index gaining 9.8 to 546.50, while HELSINKI's Hex index put on 1.5 per cent to 1,282.3.

BRUSSELS saw renewed demand for steel shares which helped the Bel-20 index 19.18 or 1.5 per cent higher to 1,342.69 for a 1.2 per cent rise on the week.

Cockerill Sambre added BFR5 or 3.9 per cent to BFR133 while Arbed rose BFR290 or 10.4 per cent to BFR1,350.

MADRID was helped by the closing of Banesto's rights issue, and the general index rose L18 at 27,137, 0.5 per cent higher on the week.

The results of Banesto's one-for-three offer, the first part of a \$1.2bn capital increase, will be announced next week. The shares were steady at Pta2,350.

VIENNA moved forward to a new, 14-month high with the ATX index 7.6 ahead at 989.2, up 4.3 per cent on the week.

SOUTH AFRICA

GOLD shares went into an early drive on the weaker bullion price, but ended off the day's lows in quiet but nervous trade. The index lost 61 or 3.3 per cent to 1,814 as Australians fell 13 to 1,559 and the overall 51 to 4,009.

LONDON SHARE SERVICE

BRITISH FUNDS

Shares (Last 5 Years)

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INVESTMENT TRUSTS - Cont.

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Weekend FT

SECTION II

Weekend August 7/August 8 1993

How Nashville grew up and got serious

MIDNIGHT in Manhattan. In a bohemian club in the heart of America's most sophisticated metropolis, couples in cowboy hats and boots are strutting to country dances with hick-sounding names like the Texas two-step, honky tonk stomp and boot-scootin' boogie.

A glittering cowboy saddle, plated with mirrored glass, revolves from the ceiling. Other icons of the American west are scattered throughout the hall - painted wagon wheels, cacti, stuffed animal heads - while television sets show black-and-white film of Hollywood cowboy stars riding into Last Chance Gulch.

Suddenly, the dancers form in rows for one of the popular new country "line" dances: a few steps to the left, a few to the right, and then a corkscrewing leg kick. It looks a little like a slow-motion aerobic class performed in western fancy dress. This is Denim & Diamonds, a nightclub which opened recently within tobacco-spitting distance of the Waldorf-Astoria hotel, bringing a national boom in country music and dancing into the centre of culturally snuffy New York City.

Country music's revenue share of US record sales soared from 8.8 per cent in 1990 to 16.5 per cent in 1992 and singer Garth Brooks, the biggest phenomenon to hit country music in decades, was America's top-selling record artist in any category last year. More than 2,600 radio stations - a quarter of the US total - now feature country music. Boosters in Nashville, Tennessee, the centre of the industry, claim it is the most popular radio format in 57 of America's top 100 cities, many of them outside country's traditional base in the south and west.

Now, Nashville is hoping to conquer the rest of the world. Japan, which watches American fashions closely, already has its first all-country radio station and Country Music Television (CMT), a cable channel showing non-stop country music videos, began transmissions in Britain and other European countries last autumn.

Turning Europe on will not be easy, though. In the UK, for example, country has a thoroughly negative image as middle-of-the-road

music with corny lyrics about irrelevant, rural Americana, performed by rhinestone-encrusted hayseeds with funny names, funny accents and even more risible hairstyles. "Candidly, I don't think you can just dump a wheelbarrow full of big cowboy hats and belt buckles in the centre of Europe and start a trend," says Roy Wunsch, who heads Sony Music's Nashville operation. The industry, he suggests, will have to exercise a degree of subtlety as it introduces artists to the continent.

Yet Europe's image of country is seriously out of date. The music has changed much over the past few years, which helps explain why it is

New-sound country music has achieved cross-over status. Now it wants to go global. Martin Dickson reports from New York

enjoying such a boom in the US and why it could, conceivably, appeal to a wider European audience. Nashville has discovered a new generation of young, sexy-looking musicians who are singing songs with broader appeal than in the past and who can be marketed nationally using a powerful new medium: cable television.

The Nashville Network TV channel was dismissed as a sure-fire failure by much of the entertainment industry when it started 10 years ago. But it is now one of the most popular US cable outlets, with programmes that cover not just music but other aspects of life dear to the country-loving American: country-style cooking, motor mechanics, bass fishing, drag racing, hunting, trucking and rodeo. Its sister network, Country Music Television, is one of the fastest-growing US networks, pumping out non-stop videos of the latest country hits.

Another reason for the music's success seems to be the sheer weakness and fractured nature of other pop formats. Many Americans find it hard to relate to the rap music of the black ghettos, the uncompromising neo-punk sounds of grunge

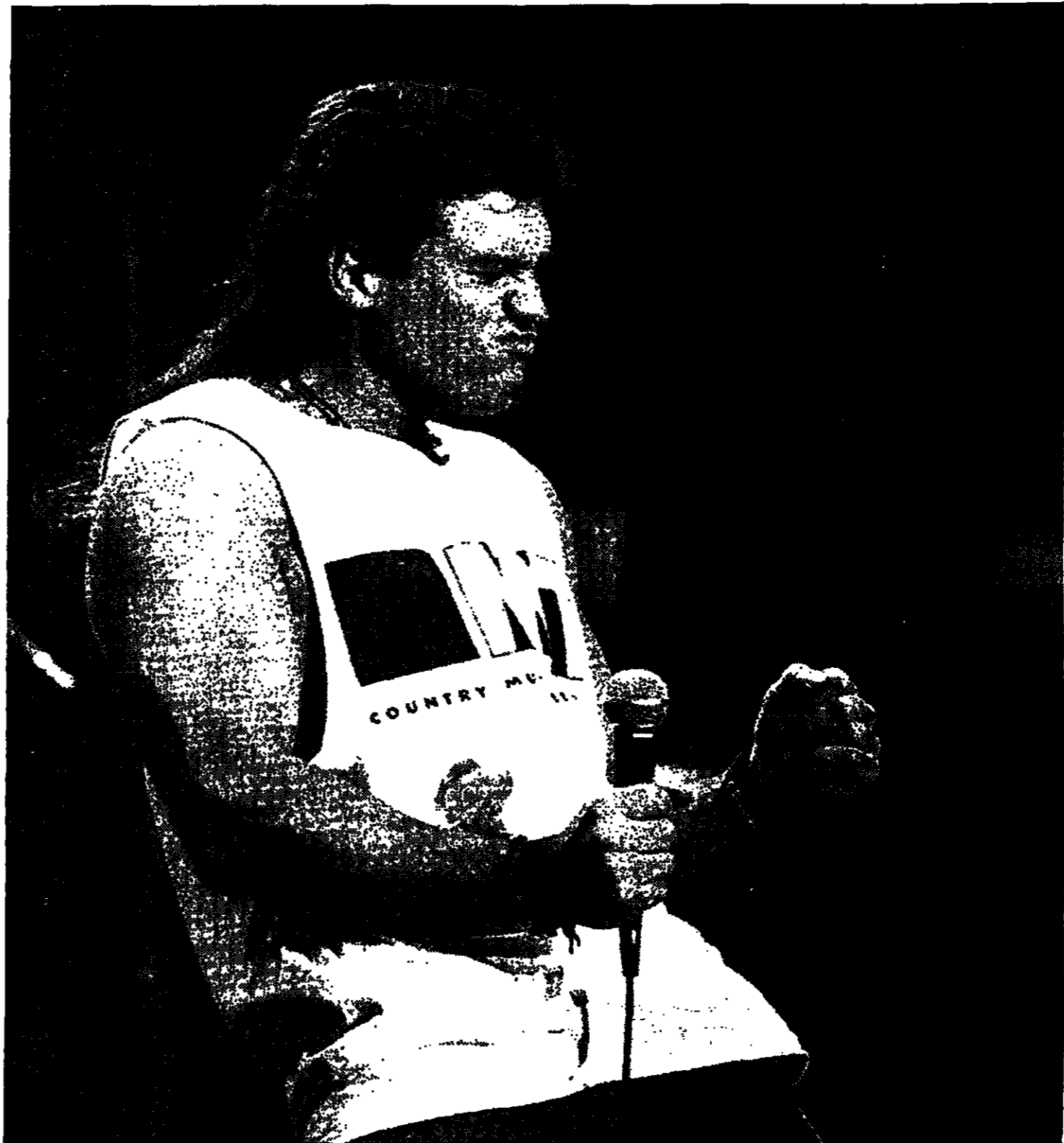
rock, or the tired themes of heavy metal. Ageing baby-boomers, who like their music tuneful and none too rebellious, find some of the modern country sounds reassuringly similar to the country-rock and folk rock performed in the late 1960s and early 1970s by groups such as The Band and The Eagles.

Around Nashville, enthusiasts like to quote a remark attributed, possibly apocryphally, to the British pop star, Elton John: "Rock 'n' roll hasn't died, it's just gone country." That is an exaggeration, although rock 'n' roll did itself spring partly from country roots: Elvis Presley began as a country singer and is still claimed as such (somewhat cheekily) by the Nashville establishment. Presley's genius was to fuse white country sounds with the black rhythm and blues of the Mississippi delta.

Often called "white man's blues," country music can trace its origins to the poor small-holders, many from the Scots-English border country, who settled the southern Appalachian mountains in the 18th century, bringing with them a tradition of folk ballads which became entwined with other eclectic musical elements. The music became commercialised in the 1920s when radio stations began springing up across the US, some of them featuring country songs.

The most important for the development of the music was Nashville's station WSM; its weekly show, the Grand Ole Opry, played a seminal part in developing country artists. The Opry is still going and its folksy, old-fashioned shows have become a much revered institution in Nashville; but its role as a trend-setter has long since been usurped by radio stations focusing on top country hits and, latterly, by television.

After a succession of booms in the 1950s and 1960s, country music became stuck in a rut in the early 1980s and faced plummeting record sales. It was dominated by middle-aged stars with a penchant for elaborate costumes, often dripping with jewellery - "it costs a lot to make a person look this cheap," quipped a sequin-covered Dolly Parton at a recent New York concert - and old-fashioned, high-piled hairstyles. "The higher the hair, the closer to God," ran one Nashville joke.



Billy Ray Cyrus: one of Nashville's roster of 'new country hunkies'

The music they performed was equally full of artifice, relying heavily on massed strings, synthesizers, syrupy vocal choruses and excessive use of the steel guitar, the instrument which gives country a soaring, Hawaiian-style sound. Then, around the middle of the decade, salvation arrived in the form of fresh young singers calling themselves "new traditionalists."

They rejected slickness in favour of a much simpler, more traditional sound emphasising fiddles, guitars and a single voice.

An important early example was *Storms of Life*, the 1986 debut album by Randy Travis, whose looks were as four-square and clean-cut as his singing and whose record sold surprisingly well. Nashville scoured the south for similar acts and has

ended up with a roster of virile-looking men, known collectively as the "new country hunkies," who tend to dress in plain but figure-hugging blue jeans and wear cowboy hats (hence their other nickname: "hat acts").

Some of their names, as much as their chiselled profiles, could have been plucked from the pages of romantic fiction: Dwight Yoakam,

Clint Black, Billy Ray Cyrus. But the most popular of all is Brooks, a man of rather pudgy, boy-next-door good looks who, more than any country singer since Presley, has managed to achieve what every artist prays for: "cross-over" status. This is industry jargon for someone who appeals to a much wider

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The Long View / Barry Riley

Freedom to diverge



AMID THIS week's confused celebrations of the demise of the European Monetary System the question remains, have European countries carelessly thrown away their anti-inflationary anchor? Will we soon come to think, perhaps the Bundesbank was not so bad after all? And who would have predicted that on the day the structure effectively broke up the bond markets would jump for joy?

Inflation, it is true, is not a near-term problem. At present even a substantial devaluation will not stimulate it, as the UK has shown over the past 10 months. But inflation quietly gathers its strength and then springs out again. During the whole period since sterling was floated in 1973 UK inflation has averaged 9.3 per cent a year. If the only thing that has led to the latest slowdown is a high rate of unemployment and an unusual degree of uncertainty in the labour market, we must expect inflation to return when the economy stages a decent recovery.

If the worst comes to the worst, Europe is potentially open to an alarming war of low interest rates, competitive devaluations and beggar-my-neighbour economic strategies.

But those who persuasively argue that inflation is no longer a problem are winning. In the Western industrialised countries this does indeed seem largely true, for the time being anyway. In the 24 countries that make up the OECD club inflation averaged 3.0 per cent last year and is forecast to slip to 2.8 per cent for 1993. Ironically Germany is one of the worst performers with 4.3 per cent at present, which has been the cause of most of the recent trouble.

But look around the world and you will find that money is still far too often a sick joke. In Russia inflation is 20 per cent a month, and in Brazil it is 30 per cent; together these countries have populations approaching that of the EC. In China, with over 1bn people, inflation year-on-year is 14 per cent. If you

believe it, and could be accelerating. Such inflation rates in the developing world may serve to explain why the gold price has been climbing even though Western inflation is so subdued.

The two worlds, industrialised and developing, are interacting on a much larger scale than in the past, though Japan provided some precedents in bargaining into the rich men's club a decade or two ago. Free price competition in manufactured goods has suppressed inflation in the West and has led to widespread job losses. Overall, growth has remained low enough to leave most commodity prices still weak. Eventually growth, in China in particular, will mop up surpluses, oil being the most obvious candidate for an uncomfortably changed supply-demand balance in a few years in the future. In the East, inflation is still moderately high because of the rapid economic growth rate and the advances in real incomes.

There is something of a repeat here of the experience of Japan. Rapid productivity growth in manufacturing meant that stable export prices were combined with relatively rapid internal price inflation: during the 1960s Japanese wholesale prices hardly budged, but consumer prices rose at 6 per cent a year. By the 1980s economic growth had slowed and inflation decelerated.

There is the curious case of Hong Kong, a fast-growing offshoot of China which has adopted the US dollar as its currency. Traded goods are priced in dollars, so rapidly rising incomes have to be reflected in rising prices of non-traded domestic services, and whereas the US has inflation of 3 per cent Hong Kong's consumer prices are rising at about 9 per cent. There is no opportunity here to allow the currency to appreciate so that traded goods prices might fall domestically, which in a slightly different context has been happening in Japan over the past year (during which period the yen has appreciated by 41 per cent against the D-Mark). As for Europe, there has been the awkward coincidence of loss of interna-

tional competitiveness against the newly industrialising countries and the attempt by the Bundesbank to fight internal inflationary shocks through a tight monetary policy and an overvalued D-Mark - imposing the same solution willy-nilly on Germany's EMS partners.

One response in Europe could be protectionism, but that impulse has been surprisingly well resisted so far. If labour markets were flexible the real exchange rate could be lowered through real pay reductions, as has happened in the US. But this is not Europe's way. The only other route out of Europe's deflation is through devaluation and sharply lower interest rates.

For the time being the inflationary risks of this strategy are being discounted. Bond prices across Europe jumped with the collapse of the EMS, because the implication is that interest rates will fall, and a rise in bond prices is the means by which investors reconcile themselves to lower yields. Both nominal and real bond yields appear to be falling. As long-term interest rates fall the value of assets such as equities and property will tend to rise. This is another reason for gold's come-back, given that the opportunity cost of holding it is falling (although it does not yet have any inflationary hedge appeal for European or US investors).

We cannot yet see clearly ahead. The Franco-German dream of European union has collapsed, and economic convergence has halted. As for the inflationary consequences, the problem perhaps is not so much that the answer will be bad as that the answers will be different. Instead of converging on the German level, bond interest rates across the EC must be regarded as potentially much more volatile, and indeed bond yields in the soundest economies, notably France, have the opportunity to stay significantly below those in fiscally troubled Germany.

Bond dealers will eagerly welcome this reopening of Pandora's Box; the rest of us will less enthusiastically recognise that we are better off without a straightjacket.

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MARKETS

London

Dealers look back to a bright future

By Maggie Urry

A FUNNY thing happened in the government bond market this week - the FT Government Securities Index regained the level it last saw in April 1955.

Admittedly the index is an elderly yardstick, calculated since 1926, and one which has been overtaken by newer measures. But to remember the last occasion when the old index stood at 100 you have to be a pretty mature bond dealer. (And, in passing, what is the difference between a bond and a bond dealer? The bond eventually matures. The old jokes are the best...)

Back in April 1955, when Sir Anthony Eden was prime minister and John Major was just trying on his first pair of long trousers, the yield on industrial equities was 6.2 per cent and that on consols was 4.2 per cent. The stock market had not yet discovered that equities merited a lower yield than gilts, and it was not until the late 1950s that the "reverse yield gap" appeared.

Inflation in April 1955 was running at around 2 per cent, bank rate was 3.8 per cent and UK gross domestic product grew by 3½ per cent that year.

(I am indebted for the 1955 numbers to Mark Brown, who is not an elderly bond dealer but UK strategist at UBS, the brokers.) Now base rates are 8 per cent, the yield on the Footsie index is 3.9 per cent and consols are yielding nearly twice that.

Does the gilt index's return to its 1955 level mean that the UK economy has awoken from the nightmare of double-digit inflation? That entrancing prospect is partly behind the strength of the gilt market of late.

Well, inflation is low at present, but it is expected to rise - although not to dizzy heights. Economic growth is reviving, and while that leads to increased productivity, unit wage costs should not rise.

However, that does not mean equity yields should rise above gilt yields once more. It might, however, mean that index-linked gilts are cheap, offering real yields of over 3 per cent and security if inflation does run out of control again.

The other momentous event this week was the virtual collapse of the ERM, agreed early on Monday.

The excitement over the ERM is because the rest of

Europe has united its economies under the inflation-controlling restrictions of German monetary policy, supposedly allowing a quicker return to growth. Is it likely, without German rectitude, that inflation can be held at bay? The equity market is the way to enjoy economic growth and get a hedge against inflation. Since sterling left the ERM last September the Footsie index has risen by a quarter.

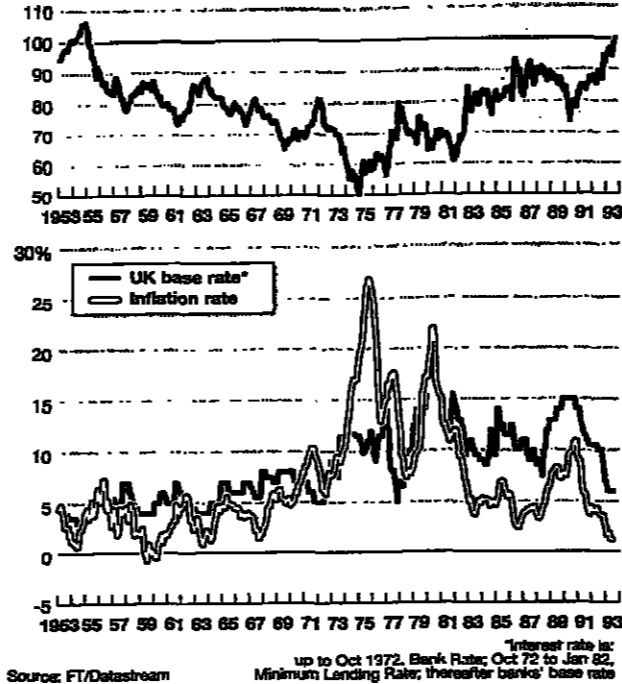
Strangely, given the fuss made last weekend, nothing very much happened this week in European interest or exchange rates, and the continental economies are still in recession. Germany shaved its money market rates, but French interest rates were not cut and the franc did not collapse. Sterling barely rose against the D-mark.

What did change was expectations. From the UK point of view the most important one was that interest rates will come down sooner than had been thought. Not fast, and not far, but many now expect base rate to be 5 per cent by the year-end.

That lifted the equity market, which has had a terrific run in the last fortnight,

Bonds, base rates and inflation

FT Government securities index, 15/10/26 = 100



Source: FT/Datashroom

starting in anticipation of the ERM collapse, and breaking out from the trading range in which the Footsie has been stuck since Easter. This week it reached a new closing all time high, at 2969.8, up nearly 150 points over the last two weeks.

Any bears left have been nastily squeezed in the run. And those who thought August was a good time to be on holiday have missed out on the action.

The other hope is that European economies will recover faster, and since more than 80 per cent of UK exports go to continental European countries that is good news for the equity market.

On the other hand, if sterling rises against the European currencies, the negative translation effect, as well as the relative loss of competitiveness, could outweigh the gains.

All this is raising hopes that the forthcoming round of interim results from companies will lead to upward revisions of earnings forecasts for the rest of this year and next. That could underpin a further run in the equity market.

It even allows Nomura Research Institute, which is forecasting a year-end target for the Footsie of 3500 - higher than most commentators, who are looking for 3100 to 3300 - to

Serious Money

Risks of joining the gold rush

By Philip Coggan, personal finance editor

THE TOP seven performing unit trusts in July were gold funds and over the past year, an investor in Mercury Gold & General could have trebled his money. Even Waverley Australasian Gold, which for a long time propped up the unit trust performance tables, gave investors an 122.6 per cent return over the year to August.

If you spotted the gold rally a year, or even six months, ago, congratulations. But the true nature of the gold market was illustrated this week when the bullion price suddenly plummeted. Having reached \$409 an ounce on Monday, the metal touched \$372 at one point on Thursday.

It is easy to be blinded by science with talk of the Chinese enthusiasm for gold, its "safe haven" status in times of turbulence, such as the ERM crisis and the like. The fact is that gold is just a commodity, and a commodity where there is the equivalent of 10 years' demand stored away in government and central bank vaults.

A world gold council report, published on Thursday, showed that there was a significant slackening of demand in the Middle Eastern and Indian markets during the second quarter of this year. However, it was not that report, but rumours that the Chinese central bank was offloading gold, which helped provoke Thursday's price fall.

Prices are still well above the \$330 per ounce level, where they stood at the start of the current rally. The market had been dead for so long that it was almost the ultimate contrarian play: combine that with the reputation of the world's current favourite financial guru, George Soros, and the desire of some US investment funds to find fresh homes for their money and you had the recipe for a bull run.

But a rally built on sentiment can falter on the same emotion. It is really difficult to

see how gold can be a sensible home for the long-term money of private investors. The metal itself pays no income and even though gold mining shares offer a dividend yield, many of those are concentrated in the politically sensitive market of South Africa. Even if you were worried about inflation (and believe, in the face of little recent evidence, that gold is a reliable hedge against it), there are better vehicles for protecting yourself, such as index-linked gilts.

Over the last 10 years, the best-performing gold unit trust has returned just 85 per cent, compared with 138.7 per cent from the worst-performing UK equity income fund. So by all means punt on the gold mar-

'Even if you were worried about inflation there are better vehicles for protecting yourself'

ket, if you are sufficiently wealthy, and can afford to risk 5 per cent of your portfolio; there may well be further profitable short term gyrations in the market. But for long term, serious investments stick to bonds and equities.

EVERY TIME journalists highlight the benefits of fee-based, rather than commission-related, advice, we receive aggrieved letters from advisers who feel we are maligning the standards of the profession. Surveys such as the one recently conducted by the consumer magazine, *Which?* show why journalists stick to their guns. *Which?* sent researchers to 30 banks, building societies, insurance company representa-

tives and independent financial advisers to ask for advice on investing a £25,000 lump sum redundancy payment.

The researchers were asked to make it clear that they had no job lined up, and no source of income other than the £25,000 lump sum. According to *Which?*, and it is hard to disagree, the best advice for such a person is to put the money into a savings account until their employment situation is clear. After all, they may well need to live off their capital.

Even so, half of those approached recommended that the researchers invest anything from £3,000 to the full £25,000 in an investment bond. This buys units in a fund run by an insurance company and could easily fall in value, if the stock market declines. Furthermore, there is a charge of 5 per cent which is likely to result in a loss for investors if they withdraw their money early.

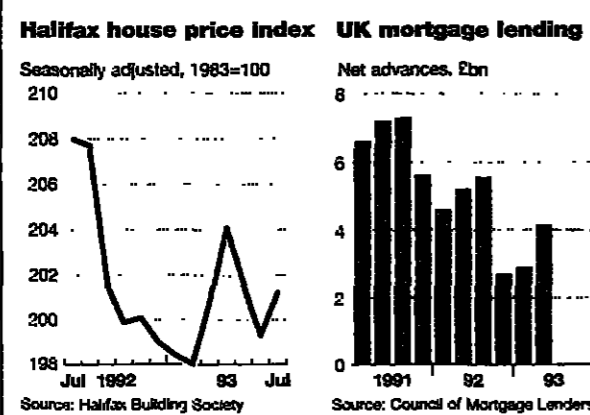
So why were investment bonds so widely recommended? *Which?* argues that the reason was commission - advisers can earn around £1,400 for selling a £25,000 bond. If they recommend putting money into a building society account, they will probably get nothing.

Two-thirds of the advisers did not ask what risk the client was prepared to take and nine failed to say whether they were tied to one specific insurer. Were independent. Some advisers, says *Which?*, made statements which were factually wrong or misleading such as assertions that investment bonds are tax-free or risk-free.

Small samples can be misleading and I am sure that there are many very good commission-based advisers. New chaises, we believe that people advisers a fee avoids many of the problems described above. Readers can obtain a list of fee-based advisers in their area by writing to our sister publication: *Money Management*, Greycoats Place, Fetter Lane, London EC4A 3DF.

HIGHLIGHTS OF THE WEEK					
	Price	Change	1993	1993	
	£/share	on week	High	Low	
FT-SE 100 Index	2969.8	+43.3	2969.8	2737.6	Interest rate optimism
FT-SE Mid 250 Index	3392.8	+88.3	3392.8	2876.3	Renewed demand for growth stocks
Airtours	379	+15	381	289	Currency benefits
Allied-Lyons	597	+23	648	517	Purchase of off-licence chain
Boots	487	+38	563	418	Rallies/Warburg positive
Glaxo	529	+18½	801	509	Patent trial nerves
HSBC (75p shs)	714	+63	716	490	Forex profits boost for Midland
Hickson Intd	194	+22	241	187	Stake sale and plant fire
Highland Dist	346	+24	347	255	Marketing agreement with Remy
Invergordon	283	+16	323	250	Whyte & Mackay bid talk
Ladbroke	199	+12	215	154	NatWest "buy/switch out of Forte
Legal & General	496	+28	513	408½	Strauss recommendation
Next	203	+17	203½	139½	Buoyant sales/GUS link rumours
Reuters	1535cd	+99	1540	1240	Recommendations/stock shortage
Wellcome	676	-11	993	600	Aids drug criticism

AT A GLANCE



Surveys agree: house prices are inching up

HOUSE prices rose by a seasonally-adjusted 0.9 per cent in July after falls in May and June, according to the Halifax house price index. Nationwide found that prices rose by 0.7 per cent in July, the first monthly rise in succession according to its index.

Adrian Coles, director-general of the Council of Mortgage Lenders, said that the housing market was slowly recovering and that recent mortgage lending figures were "very encouraging".

The figures released by the council this week show that net new lending rose to £4.1bn in the second quarter, up from £2.8bn in the first quarter. However, the second quarter figure is still lower than the £5.2bn of net new advances for the same period last year.

S&P launches smaller Asian trust

SAVE & PROSPER is launching an Asian Smaller Companies unit trust to invest for capital growth in companies with market capitalisations of less than \$500m. Initial investments will be mostly in Hong Kong, Japan, Malaysia, Australasia and Thailand. The fund will be managed by Jardine Fleming, S&P's sister company. The minimum investment is £1,000, or £35 a month in a regular savings scheme. Investment through a F&P is limited to £1,500. Lump sum investments made before August 27 will receive a 2 per cent discount on the fixed launch offer price per unit of 50p. The initial charge is 5.5 per cent and the annual charge is 1.5 per cent.

Higher interest for bigger savers

NATIONAL Savings has increased the interest payable to larger investors on two of its products. Those who invest more than £25,000 in income bonds will now receive 7.25 per cent, up from 7 per cent; similarly, those who have a balance of more than £25,000 in an investment account will earn 6.5 per cent, up from 6.25 per cent. In both cases, the rates paid to investors with less than £25,000 are unchanged.

Abbey alters insurance prices

ABBEY National is restructuring its pricing of buildings insurance in line with its claims experience. From September, buildings cover will cost up to 4.45 per cent more for homes in two ratings bands, the same in one band, and less in four. Some postcodes will be transferred to different rating bands. Up to 20 per cent of customers will be affected by this, most of whom will be moved to lower bands.

Smaller companies rise

ANOTHER good week for smaller company shares with the Hoare Govett Smaller Companies Index (capital gains version) rising 2.2 per cent over the seven days to August 5, from 1478.91 to 1511.33.

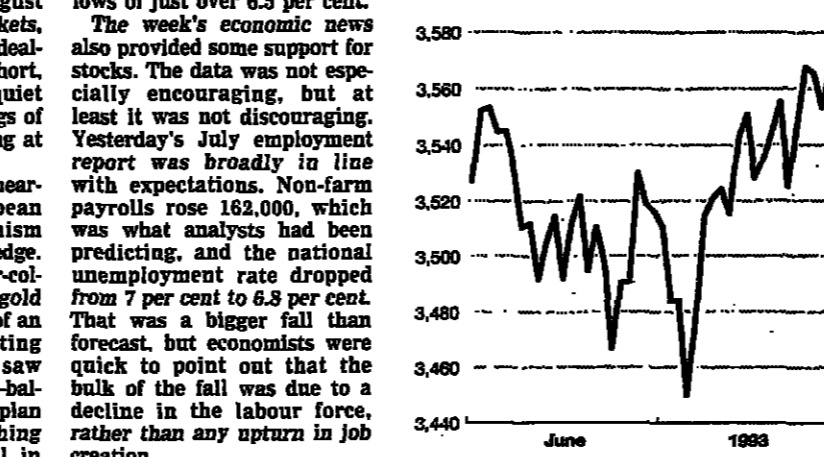
Robert Fleming card charge

A CHARGE of £25 is now being made by the Robert Fleming/Save & Prosper group for replacing a lost or stolen Mastercard or Visa card.

Wall Street

The summer dog days bite back

Dow Jones Industrial Average



Source: FT Graphix

THESE should be the dog days of August for US stock markets, a period when dealers and investors enjoy short, quiet weeks and long, quiet weekends. Instead, the dogs of August are up and yapping at everybody's heels.

Last week it was the near-collapse of the European Exchange Rate Mechanism that kept the markets on edge. This week it was the near-collapse of an overheated gold market, and the final lap of an exhausting and nail-biting budget marathon that saw President Clinton's much-ballyhoed deficit-reduction plan stagger toward the finishing line with the result still in doubt.

Somewhat surprisingly, share prices have managed to hold their own amid all the fuss, many posting modest gains along the way. The secondary markets were especially resilient, with the Nasdaq composite index of over-the-counter stocks on its way yesterday to establishing a new record high on three consecutive days. Equities were helped by a strong bond market, which kept bond

presidency, and might leave his administration politically crippled - the worst possible outcome for stock and bond markets. In a narrower sense, defeat would probably lead to a sharp sell-off in the bond market, because in the past few months Treasury investors have bought a lot of bonds in expectation that the budget - the first serious attempt by a US administration to tackle the huge federal deficit - would be passed.

A sharp drop in bond prices would almost certainly trigger heavy selling of stocks, which have been sustained for most of this year by low interest rates. In this regard, there is little doubt that the stock markets want the President's budget passed. Yet victory in Congress will not send investors into a wild frenzy of celebration. The consensus of analysts' opinion is that the tax-raising, expenditure-cutting plan will hinder, not help, growth over the short-term, and there are many on Wall Street and beyond who are not happy at the prospect of paying higher taxes, either on payday or at the petrol pump.

If it were not for the fuss over the budget, Thursday's extraordinary plunge in gold prices would have been the week's big story. Earlier this year, the sharp rise in gold prices had unsettled investors and markets, who feared that investors were buying gold, the traditional haven in inflationary times because they expected an imminent surge in US and worldwide inflation.

Yet, the sudden reversal in gold's fortunes (prompted primarily by the restoration of order to Europe's beleaguered monetary system) left the stock markets cold, although it did provide a brief boost in bonds. Either equity investors think the gold price is no longer especially important now that domestic inflation seems to be back under control, or they do not believe gold's five-month rally is really over.

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Parrish Harverston	
Monday	3580.00 - 0.15
Tuesday	3561.27 - 0.25
Wednesday	3553.00 - 0.25
Thursday	3548.97 - 0.15
Friday	

The Bottom Line

Top of the class - for now

good, with both Midland Bank - now a subsidiary of HSBC Holdings and Barclays raising pre-tax profits sixfold on the first six months of last year.

But profits are not a good guide, for two reasons. One is that banks are rebounding from poor pre-tax figures - in Barclays' case a full-year loss in 1992 largely caused by debt provisions. National Westminster's provisions fell by 23 per cent to £641m as the recovery took hold.

The second is that clearing banks are such large, complicated businesses that their total profits are a mixture of elements. The core franchise of branch-based lending can contribute less than other parts, such as the investment bank arms or the sale of other retail financial products.

Three elements of the results were notable:

- Banks made strong profits in foreign exchange and capital

markets, both because of currency volatility and because it has been a good time for securities houses handling bond and equity issues. These earnings are vulnerable in the second half of the year, although conditions remain favourable.

- Banking business in the UK came under pressure. There was flat and even falling demand for loans, and the fall in base rates cut income on deposits, narrowing the "spread" between interest earned on assets and paid on liabilities. The only bright part was growth in mortgages.
- Signs started to emerge of banks becoming over-capitalised. This is a departure, since banks' capital has been depleted in the past two years by their inability to retain earnings after paying dividends. Barclays retained earnings of £84m, its first such earnings in two years.

Worries over banking earnings may mean sector outperformance will not continue.

The competence of management will be watched closely. Barclays has provoked many by promising to find a new chief executive role, and a week-untilled it surprised 250m US loss. Further, the bank could undermine the improved reputation of management and affect sentiment.

The sense that banks' outperformance may have peaked means that analysts are moving investors to switch from bank shares. Playing safe would imply concentrating on dividend yields. This may involve switching toward well-capitalised banks, such as Lloyds or TSB, that may land back cash.

The riskier play would be to stick with the market's faith in the recovery potential of banks such as Barclays and NatWest. This means not only believing that earnings will continue to stay strong, but that poor pupils have mended their ways. Teachers get paid for faith; investors may be, or they may not.

John Gapper

FINANCE AND THE FAMILY

MOTOR insurance premiums have risen rapidly since the mid-1980s as claims have grown more frequent and more expensive. The insurance companies have been losing money so, inevitably, consumers are picking up the bill. Premiums are not uniformly high, though. Some insurers have bigger losses to recoup than others, and companies' ratings of different risk factors do vary.

If you are shocked by the figure on your latest renewal notice, you need not grit your teeth and pay up. By shopping around for quotes - as an increasing number of motorists are doing - you could halve your premium. Any of the 400,000 people expected to get a new car this month, it could be worth taking some time to find the best insurance deal.

The past few years have seen the rapid expansion of direct insurers - companies which operate entirely over the telephone and, because of their low overheads and choosy underwriters, can offer lower premiums to motorists seen as good risks. This usually means drivers over 25 with ordinary cars who live in the suburbs or rural areas and have no convictions or recent crashes. If you fit this description, you might get a very good deal from Direct Line Churchill, GA 1-2-1, the Insurance Service, or one of the many other direct insurers springing up around the telephone network. They now take about 15 per

After the shock wears off...

Bethan Hutton suggests some ways in which drivers can cut those ever-growing car insurance premiums



were launched recently. These use computer systems to access many different insurers and find the most competitive quote. Select Direct, Telesure and CGA are among them.

Another variation is One-Quote, a company which will find the best quote from 65 insurance schemes and then direct callers to a local broker who is an agent for that particular insurer. It charges for the service by using a premium rate phone number. Other companies - such as the AA, which deals with a selected panel of insurers - will quote from high street branches or over the telephone.

The main factors on which your premium will be based are the same as ever: age, sex, occupation, address and driving record, and the make, model and age of your car. But other factors over which you have more influence could help cut the cost of your insurance.

The easiest way is by opting for third party rather than comprehensive cover. This means that only damage to other people, cars or property is covered, not damage to your own vehicle. If it is not worth much, this could be a sensible option. But if an accident is your fault, or you are unlucky enough to have a collision with someone driving illegally with

out insurance (as prices rise, an increasing number of drivers have no insurance), you will have no one to claim from. Also, some third-party policies will not pay out for a car damaged by thieves.

Most policies specify that you must pay a standard excess - the first £50 or £100 of any claim. If you agree to a larger excess - say, £200 or £300 - this will cut your premium. But you should be sure that, when you make a claim, you can afford the sum to which you have agreed.

When you get a quote from a broker or insurance company, ask if it offers any discounts -

such as for keeping the car in a garage or fitting a security device. The AA is promoting a new Tracker system which allows stolen cars to be tracked electronically, and several insurers have agreed to give 10 per cent discounts for vehicles with this.

Certain jobs or membership of some organisations can also carry the added benefit of a discount with some insurers. Fritzell does special deals for civil servants or those belonging to the National Trust. Your habits can make a difference, too; members of the Institute of Insurance Brokers can offer a special policy to non-smok-

ers, as some research has indicated smokers are more likely to be involved in accidents.

If you use the car only to go shopping, let your insurer know. Drivers running up low annual mileages sometimes attract discounts because insurers reason that the less time you spend on the road, the lower your chances of crashing. And if you have an old car, you could ask about a "classic" policy. These usually are based on limited mileage but can work out substantially cheaper than standard policies.

Price is bound to be one of your main considerations when picking car insurance

but beware of small companies offering suspiciously good deals, particularly if you are in a high-risk category such as a young driver of a hot hatch or a convicted drink-driver.

The Department of Trade and Industry warned that a number of bogus car insurers were operating in the UK. They attract business with low premiums for difficult-to-insure drivers, but are not authorised to sell insurance and their policies are worthless.

Victims may discover they have bought a dud policy only when they try to make a claim, or are asked for their insurance documents by the police. They could even be prosecuted for driving without valid insurance. If you are suspicious of a motor insurance policy, ask for the name of the underwriter - then ring the DTI on 071-215 3165 to check if the company is legitimate.

COMPREHENSIVE CAR INSURANCE											
AA	Churchill	Countrywide	Direct Line	Fritzell	General Accident	GA 1-2-1	Insurance Service	Norwich Union	Sun Alliance	Telesure	
Woman, 21, Renault Clio 1.2 (No no claims bonus)											
Richmond, Surrey TW9	£903*	£1,549*	£1,079**	£705*	£728.60*	£1,518*	decline	£1,254.96*	£1,285†	£1,689*	£1,058.50*
Chester CH1	£710*	£1,432*	£750*	£568*	£596.74*	£1,518*	decline	£1,038.67*	£1,057†	£966*	£749.50*
Man, 50, and wife, 47, BMW 518i (Three years no claims bonus)											
Richmond, Surrey TW9	£619**	£586†	£818.40*	£586*	£650.77†	£587*	£573†	decline	£809*	£847*	£872.20**
Chester CH1	£416**	£481†	£614.80*	£475*	£532.33†	£587*	£573†	decline	£784*	£568*	£442.50**
Retired couple, 65 and 63, Rover 214Si (Three years no claims bonus)											
Richmond, Surrey TW9	£260*	£326*	£326.18*	£314*	£448.25*	£397*	£375†	£247.26*	£278†	£361†	£409.30*
Chester CH1	£275*	£278*	£277.15†	£248*	£367.20*	£397*	£375†	£204.65*	£487†	£237†	£264.50*

The cars are assumed to be new L-registered models without alarms or other extra security features, kept in garages. Drivers are assumed to have standard, low risk occupations. *No excess £150 excess £475 excess £1000 excess £1500 excess £2500 excess £4250 excess £7500 excess £10000 excess £15000 excess £20000 excess £25000 excess £30000 excess £35000 excess £40000 excess £45000 excess £50000 excess £55000 excess £60000 excess £65000 excess £70000 excess £75000 excess £80000 excess £85000 excess £90000 excess £95000 excess £100000 excess. **No excess £150 excess £475 excess £1000 excess £1500 excess £2500 excess £4250 excess £7500 excess £10000 excess £15000 excess £20000 excess £25000 excess £30000 excess £35000 excess £40000 excess £45000 excess £50000 excess £55000 excess £60000 excess £65000 excess £70000 excess £75000 excess £80000 excess £85000 excess £90000 excess £95000 excess £100000 excess. †Insurance Service 0272 242222; Telesure 081 665 8986.

Why it pays to bank by mail

Postal accounts can offer higher rates, says Scheherazade Daneshkhu

CCHEQUES are always in the post for those who operate their savings account through the Royal Mail. Postal accounts are attractive to savers because they have maintained their competitive edge over branch-based accounts; hence their regular appearance in our Highest Rates for your Money table (see page VI).

The building societies cite centralised administration and low overheads as the reasons for being able to pay rates on instant notice postal accounts which often are higher than on 90-day notice accounts.

The Cheltenham & Gloucester building society was the first in the market and its London Share postal account, launched in April 1989, has spawned a whole breed of others (see the table on this page shows). The rate on London Share is, however, one of the lowest; C&G says this is because it has added facilities - at the request of clients - which have made it more expensive to operate.

Customers can arrange withdrawals over the telephone, and can order travellers cheques. They can also use the branch network to make deposits. "London Share has become less competitive because of increased overheads and so we cannot give rates which are as high as on a conventional postal account," C&G explains.

The more traditional postal accounts issue customers with a passbook, or with slips which are used to make deposits and withdrawals in pre-paid envelopes. Most postal accounts pay yearly interest but some also have a monthly option (see the table shows). Yorkshire is unusual in paying interest monthly as a standard feature.

While postal accounts advertised as "instant access" do not require notice, it still takes customers at least a week to get their hands on any cash. If you mail a withdrawal request

BUILDING SOCIETY POSTAL ACCOUNTS									
Building society/account	1,000	2,500	5,000	10,000	25,000	50,000	100,000	Notice	
Birmingham Midshires/First Class (Monthly)	6.75 (6.27)	6.75 (6.27)	6.75 (6.27)	7.00 (6.50)	7.00 (6.50)	7.15 (6.79)	7.50 (6.97)	Inst	
Bradford & Bingley/Direct Premium (Monthly)	6.00	6.00	6.00	6.40 (6.40)	6.40 (6.40)	6.70 (6.80)	7.00 (6.80)	Inst	
Direct Notice (Monthly)	7.00	7.00	7.00	7.50 (7.25)	7.75 (7.50)	7.75 (7.50)	30 day		
Bristol & West/Balmoral (Monthly)	-	-	-	6.75 (6.55)	7.00 (7.55)	7.25 (7.60)	7.25 (7.60)	30 day	
Limited edition bond (Monthly)	-	-	-	7.35 (7.11)	7.65 (7.39)	8.10 (8.09)	8.65 (8.32)	31.1.95	
Britannia/Capital Trust (Monthly)	-	6.80	6.80	7.05 (6.55)	7.21 (7.00)	7.25 (7.00)	Inst		
Chelsea/Classic	-	5.85	6.10	6.35	6.85	6.85	6.85	Inst	
Cheltenham & Gloucester/London Share (Monthly)	-	6.25	6.25	6.25	6.25	6.25	6.25	Inst	
Instant 7 (Monthly)	-	-	-	6.08 (6.08)	6.08 (6.08)	6.08 (6.08)	7 day		
Manchester/Money by Mail (Monthly)	6.55	6.55	6.55	6.75 (6.32)	7.25 (6.97)	7.50 (7.20)	Inst		
Nationwide/Investdirect	-	5.00	5.00	5.90	6.30	6.50	6.70	Inst	
Northern Rock/Postal	-	7.00	7.00	7.25	7.50	7.50	7.50	Inst	
North of England/Edinburgh (Monthly)	-	6.20	6.20	6.70	7.20	7.20	7.20	30 day	
Edinburgh 30 (Monthly)	-	6.50	6.50	7.00 (6.50)	7.50 (6.50)	7.50 (6.50)	30 day		
Norwich & Peterborough/Postmaster	5.30	5.30	5.30	6.30	6.30	6.80	6.80	Inst	
Scarborough/First Post (Monthly)	5.30	5.30	5.30	5.30	5.30	5.30	5.30	Inst	
First Post Plus (Monthly)	-	-	-	6.00 (5.15)	6.25 (5.15)	6.45 (5.15)	7.00	Inst	
Yorkshire/First Class (Monthly)	-	6.08	6.08	6.40	6.83	7.04	7.25	Inst	

Source: Moneyfacts. *£250 minimum transaction; **0.75 per cent bonus if no withdrawals p.a.; †10 per cent bonus p.a. if no capital withdrawals.

on a Monday, you could not hope to get a cheque before Wednesday at the very earliest. It would then take at least three working days for it to clear. So, usually, you would not be able to draw any cash until the following Monday.

Two societies, however, have got around this problem by providing their customers with cash withdrawal cards. Chelsea's Classic account also has a chequebook facility and its cash card, which can be used to withdraw up to £200 daily through the Link network, also doubles as a cheque guarantee card.

Nationwide is the only one of the big five building societies to have entered the market and launched its Investdirect account in April. Customers can withdraw a maximum £250 daily with their Link card.

They must, however, pay 50p each time if they use a Nationwide machine and £1 if they use another Link member's machine. Nationwide says it imposed the charge because the account is meant to be used for postal, with the card supplied only for peace of mind.

Some postal accounts impose relatively high minima. C&G's instant 7 account, launched in

May to replace the (non-postal) London Deposit account, is a seven-day notice account which stipulates that transactions must be at least £250, whether as a deposit or withdrawal.

The minimum withdrawal with the Yorkshire building society's First Class return postal service, also launched in the spring, is £200. You need £2,000 to open the account and further deposits must be at least £100.

Along with Manchester, the Yorkshire offers a bonus, of 10 per cent of the gross rate to investors who do not make

capital withdrawals during the year. This means that the top rate of 7.25 per cent would be translated into 7.98 per cent once the bonus is added. The bonus at Manchester is 0.75 per cent, which increases its top rate from 7.5 to 8.25 per cent if no withdrawals are made.

The table also shows that some societies - Bradford & Bingley, Bristol & West, C&G and North of England - operate postal accounts which also require investors to give notice of withdrawals. The rate offered by Bradford & Bingley on its Direct Notice (30-day) account is the highest (if the bonus rates of Yorkshire and Manchester are not applied), while B&W's 7.6 per cent on its 30-day Balmoral Monthly is also the highest for accounts of this type, with the same proviso.

The only society to offer a postal bond is B&W, which has operated a series of them and is today launching a one-year, variable rate bond paying fixed interest of 7.35 per cent gross on a £5,000 minimum, ranging up to 8.5 per cent gross for £100,000 and over.

The trouble with variable rate bonds is the danger of the initially attractive rate being dropped before maturity. "Societies that do that are just cutting off their nose to spite their face," says B&W. "We are committed to maintaining a competitive rate in order to keep customers."

Perhaps the only serious drawback of postal accounts is their reliance on the Royal Mail. The Inland Revenue recommends taxpayers not to use the postal system to settle their tax bills because of the danger of cheques getting stolen in the post.

The societies deny there are any significant problems - but most advise savers sending a deposit to make the cheque payable to the building society, followed by their own name.

Directors' transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Brown (N)	Stor	200,000	752	1
Capital Gearing	n/a	3,296	13	1
Densitron	Eng	50,000	19	1
Ellis & Everard	Chem	45,622	95	1
Gardiner Group	Bus	350,000	89	1
Halcrow	Eng	102,000	285	2
Hill & Smith	Eng	9,500	19	1
Hunting	Eng	10,000	25	1
Johnson Matthey	Met	71,500	327	1
London Merchant	Prop	14,000	14	1
McKechrie	Chem	20,000	85	1
Menvier Swain	Eng	110,000	680	1
Rights & Issues Cap	Int	3,250	12	1
St Ives	Pack	58,200	75	3
Taunton Cider	Brew	1,800,000	3,219	5
Tinsley (Eliza)	Met	65,000	61	1
Vodafone	Tele	71,000	314	1
PURCHASES				
Argyll	FdR	5,000	15	1
Schock Int	Eng	300,000	109	1
Dudley Jenkins	Nile	85,000	35	3
Mercury Asset Mgmt	Off	10,000	57	1
Reliance Security	Bus	10,000	12	1
St James Place	Off	60,000	62	2
Witan Int Trust	Int	60,000	120	3

Value expressed in 000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. The list contains all transactions, including the exercise of options (if a 100% subsequently sold, with a value over £10,000). Information released by the Stock Exchange 28 - 30 July 1993. Source: Directors Ltd, The Inside Track, Edinburgh.

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Investment Trusts is a unique publication and received special commendation in the 1992 Personal Finance Media Awards.

CAN YOU AFFORD TO MISS OUT?

THE RECENT Ministry of Defence decision not to award the Trident re-fit program to Rosyth Dockyard has not dampened Lord King's enthusiasm for shares in Babcock International, which had hoped to manage the project. His recent purchase of 300,000 brings his total holding to more than 1m. Earlier this year, Allan Smith and Sir Frank Gibbs (a non-executive director) also bought more than 57,000 at around 34p.

Taunton Cider came to the market just over a year ago and has performed steadily. Five directors, including the chief executive and finance director, have sold a total of 1,800,000 shares at 197p. These transactions were the board's first sales since coming to the market.

Shares in Menvier-Swain Group have performed steadily over the past two years. Dominique Martinie, an executive director, has almost halved his holding from over 280,000 to just over 130,000 since March this year. The most recent sale of 110,000 was at 600p.

Colin Rogers
The Inside Track

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FINANCE AND THE FAMILY

Unit Trusts/James Capel Income

Flagship fund steers steady course

THE Income fund is the flagship of James Capel's unit trust range. Indeed, it has been one of the top 20 performing unit trusts over the past 10 years.

The trust was started in 1975 as a vehicle for private clients whose portfolios were not large enough to be invested directly in equities. It was a fairly small fund until 1988 when James Capel decided to make big efforts to promote its unit trust expertise; since then the Income fund has grown from £13m to £230m.

The aim of the trust is to have a portfolio which performs roughly in line with the FT All-Share Index but with a higher yield. As the graph shows, the trust has been pretty successful in keeping up with the All-Share.

Manager John Knight, who took over full responsibility for the Income fund in 1990, says he follows a value discipline – if a share rises so that its yield is close to that on the market, it will normally be sold.

Maintaining payout levels has been difficult for many income funds during the recession. Capel's interim distribution was cut by 5.4 per cent in 1992 and the final payout also suffered a 0.3 per cent reduction. Knight said the fund has yet to declare an interim distribution for this year, but it will not be higher than last year's. The yield on the fund is currently 3.8 per cent.

Knight says four factors have been taking a bite out of the fund's income. The first is dividend cuts by UK companies. A second problem is that the management charge goes up in line with assets, but is taken from the income account. In the stock market's recent rally, share prices have risen while dividends have not.

Accordingly the management charge is taking a bigger chunk of the fund's income.

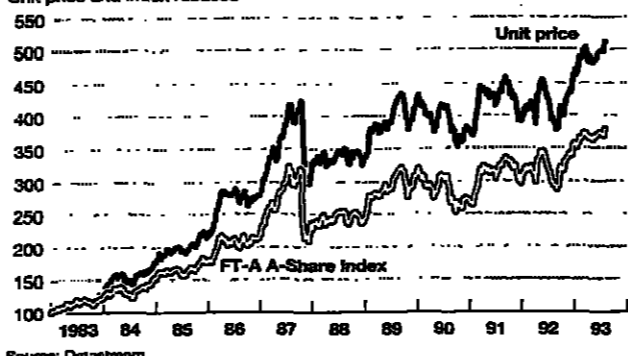
Third, lower interest rates have reduced the return on the fund's cash holdings. Finally, there are now fewer partly paid privatisation stocks in the market. These provided a high dividend yield but as they have become fully paid, the yield has inevitably dropped.

At the moment, Knight says 58 per cent of the portfolio is in FT-SE 100 stocks, 28 per cent is in the second 100 largest stocks (sometimes known as Tootsie), 13 per cent in other (ie smaller) stocks and 1 per cent in cash.

In terms of sectors, Knight says that the fund is overweight in the financials with a holding of 25 per cent, as opposed to market weighting

James Capel Income Unit Trust

Unit price and index, rebased



of 16 per cent. "We like the financials, because we are reasonably positive about the economic cycle," he says. "They will benefit from lower interest rates and the falling away of

the bad debt problem. Overall, the financial sector has an above average yield and, we believe, better dividend growth potential."

In contrast, the fund is underweight in consumer goods – with a 24 per cent holding as opposed to the market weighting of 33 per cent. "We tend normally to be underweight in the consumer sector because it is hard to find stocks on a decent yield," says Knight.

The ten largest stocks in the portfolio are: Shell, BAT, BT, British Gas, Hanson, Provident Financial, MAI, Midlands Electricity, Severn Trent Water and Ocean Group.

Over the 10 years to August 1, an investment in James Capel's fund would have grown

500 per cent (offer-to-bid with income reinvested, according to Mitrupal). That record makes it the third best performing fund (out of 52) in the equity income sector.

The fund's record also looks good over five years (where it is 5th out of 96) and over three years (26th out of 107). Only over the past year has performance slipped, leaving the fund placed 78th out of 110, with growth of 28.3 per cent.

"Over the past year," says Knight, "other funds in the equity income fund have focused on the recovery in the capital goods sector. I'm not running a recovery fund so I should not be buying shares like British Steel which don't pay the right level of dividend," Knight says he also has

a more limited exposure to smaller companies funds (which have performed well in the first half) than some other equity income trusts.

He says he is currently pretty bullish about UK equities, although he acknowledges that the forthcoming results season may be "somewhat difficult". Non-trading items, such as pension holidays, which have bolstered profits through the recession, may reduce, thereby obscuring the genuine growth in trading profits. But he believes earnings growth next year may be 20 per cent and that is not factored into share prices.

■ Charges. The annual charge is 1.25 per cent and the initial charge is 5.25 per cent. The current bid-offer spread is about 6.3 per cent. The minimum investment is £1,000, or £40 per month via the savings scheme. The fund is Payable at no extra charge, although the minimum monthly investment is higher, at £100.

Philip Coggan

YOU MAY need to take tax advice before you next go to a restaurant – or else risk the wrath of your waiter. This complicated state of affairs has arisen because of a recent decision of the House of Lords which appears to have considerably widened the scope of the Pay-as-you-earn (PAYE) system.

PAYE is the linchpin of the Inland Revenue's tax collection system. It obliges every employer to act as the taxpayer's agent in deducting the appropriate amount of tax from all salary payments. The tax then has to be handed over to the Revenue once a month. PAYE applies only to cash payments and not to perks such as company cars. However, the value of perks may be taken into account by the Revenue when it determines PAYE deduction codes.

The House of Lords case arose out of an attempt by the Inland Revenue to extract tax from one Charles Herd. In 1990 Herd was appointed an executive director of an engineering company and as part of his signing-on package was given the chance to buy 10,000 shares in his employer company for the sum of £1. In 1993 his employer's parent company bought the shares back for £380,000.

There was no dispute that Herd's profit of £379,999 was subject to income tax under the rules applying to share incentive schemes. However, Herd argued that since this was an income tax liability, it should have been paid under PAYE. If that was right, then the taxpayer would have to chase the parent company for

PAYE poser looms

its money and Herd would get away scot-free.

Although the Revenue generally tries to spread the PAYE net as widely as possible, in this case it naturally took the opposite tack. It argued that PAYE could not apply to a payment made by somebody other than the employer – in this case the parent company. However, the law lords did not accept this. Their decision was that it was on the basis that PAYE which was only partially taxable. Herd had received £380,000 but only £379,999 was taxable because the final £1 was the repayment of the price he had originally paid.

This is an arbitrary distinction illustrated by the facts. It seems that if Herd had received the shares for nothing instead of paying a nominal pound, he would have won his case. The ramifications of this decision are likely to be particularly arbitrary in the fairly common situation where a company making a takeover buys out share options held by executives of the target company. Until now, the Revenue has taken the view that these payments are not subject to PAYE because the

bidding lacks the information it would need in order to make the correct deductions. Now it seems it will depend on whether the optionholders have paid anything for their options. Many options are granted for nil consideration; many others for a nominal £1. Which option is chosen usually depends on the whim of the adviser who drew up the option scheme. And until now, nobody thought it made any difference.

Apart from the nuisance for the company which has to make the deduction, the application of PAYE will also mean a cashflow disadvantage for the recipient. If he receives the payment gross, he will have the use of all the money until the Revenue gets round to issuing an assessment against him – which could be up to 12 months later.

How wide are the ramifications of the Herd decision? Will the Revenue now expect PAYE to be deducted from all fully taxable payments made to an employee, irrespective of the identity of the person making the payment? The example of a gift given to a waiter highlights the absurdities of such an approach.

The practical difficulties would be immense, if not insuperable. Apart from not knowing how much tax to deduct, the payer may not even know whether the recipient is employed or self-employed. The Revenue is studying the Herd judgment and will decide whether to issue a guidance note.

David Cohen

■ David Cohen is a partner in the City law firm of Palmer & Co.

French homes: who gets what

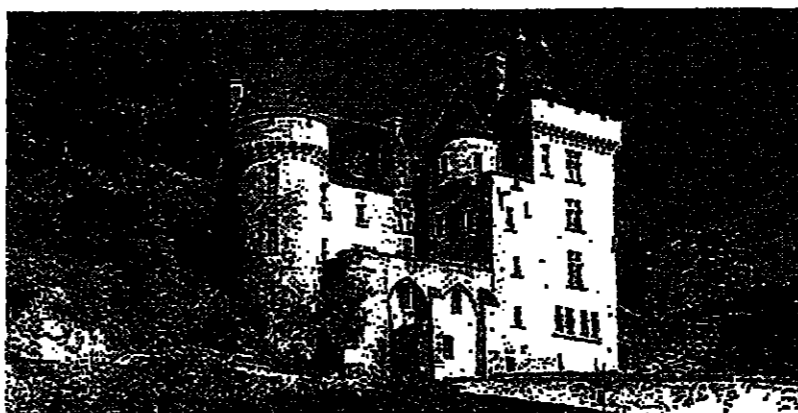
MOST English couples are used to the English way of owning property. If you buy a house with your spouse, it is presumed that you will buy as joint tenants, unless you specify to the contrary. As a joint tenant your share will automatically be left to your spouse on your death tax-free.

You can change your mind at any time and "sever" your joint tenancy. You will then own the property as "tenants in common" and, on your death, your share will pass according to your will and intestacy. There are no restrictions in English law on who you can leave your share to – for example, there is nothing to make you leave your house to your children, or stop you from leaving it to your secretary. Only if you leave your dependants without making proper financial provision for them can your arrangements be upset, and then only after your death and under the direction of the English courts.

However, when an English married couple buys a property in France, the rules are very different. It is possible to buy *en indivision*. This is similar to the English "tenants in common". Unlike the English tenants in common you cannot leave your share in the property to just anyone. Your children (but not your spouse) have "entrenched rights" to your share which automatically accrues to them on your death, regardless of your will.

Suppose that you and your spouse own a chateau jointly and that you have two children. If your spouse dies, you may be entitled to one third of your spouse's share and your children to one third each, if your spouse has written an appropriate will which respects French succession law.

At this point, English law muddies the water, since minors cannot own property. If you want to sell the



French dream home – but the country's laws of succession could prove a problem

chateau after your spouse's death you will have to make an application to court for an order authorising the sale.

In addition, French death duties will be payable, not only on the transfer to your children but also on the transfer to you. There is no exemption from tax on transfers between spouses. Each child and your spouse will be able to receive value of up to Fr500,000 and Fr300,000 tax free respectively.

At the time of a French marriage, a so-called "clause d'accroissement" may be included in the marriage contract which will have a similar effect to an English joint tenancy. In addition, assets can then pass into the sole ownership of the survivor free of death duties. If a couple have not married under this regime (called "La Communauté universelle avec clause d'accroissement"), it is possible to adopt it later on.

Marriage contracts are void under English law, but an English couple adopting the regime with regard to their French property.

One commonly suggested solution to the problem of limited testamentary

freedom in France is to buy through a Société Civile Immobilière, a hybrid between a company and partnership. You will then own your chateau through your interest in the SCI, which is called a *parts de Société*.

If neither you nor your children are domiciled in France, French succession laws will not apply to your share in the SCI, so it can be left to whomever you please.

There are disadvantages to owning your chateau through an SCI, such as: ■ French death duties will be payable ■ If you are a director of the SCI, you could be liable to tax in the UK under the benefit-in-kind provisions applicable to a company providing accommodation with its directors. ■ There will be costs associated with setting up the SCI ■ An SCI cannot let furnished property, without the risk of losing fiscal transparency ■ An SCI is not immune from French wealth tax. You may be tempted to own your chateau through a tax haven company

– but do not. The French tax authorities will try to argue that the company should be in receipt of rent from the property and tax the company accordingly if it is resident in a tax haven; and also charge an annual 3 per cent levy on the deemed value of your property if the company is resident in a country with which France does not have a double tax treaty.

One idea to consider with your adviser if you and your family are UK residents is to own your chateau through a UK company on trust for you for your lifetime, and thereafter, your family. However, it may be important to give money to the UK company to buy the chateau, rather than buy the chateau first and give it to the trust. The transfer tax on gifts is prohibitive in France.

If you take this course: ■ It is unlikely that French death duties will be payable on your death if the chateau continues to be held by the UK company on trust. ■ French laws will not automatically vest a share in the children. ■ You would be using the chateau as a beneficiary of the trust, rather than as a director of the SCI, so the UK benefit-in-kind tax provisions need not apply. ■ The UK has a tax treaty with France and is not a tax haven for the purposes of the income charge and arguably the trust will also escape the 3 per cent levy if it is managed in the UK.

An alternative way of dealing with these problems is to buy your chateau personally using debt secured on the property. The problems do not vanish but the consequences will be less severe.

Caroline Garnham

■ Caroline Garnham is a trusts and tax specialist for the City firm of Simmons & Simmons.

A novel tax problem from Japan

MY WIFE gets income from Japan for a novel that has been translated into Japanese. She has had an advance on royalties, which are received by the UK publisher and distributed twice yearly.

Her UK publisher has advised that the advance is "subject to a 10 per cent Japanese withholding tax." Can this be reclaimed from the Japanese tax authorities? If so, how should she go about it? ■ No: the deduction of 10 per cent Japanese tax is authorised by article 13 of the Japan-UK double taxation convention.

On the other hand, your wife is entitled to credit for the Japanese tax against her UK

income tax liability, by virtue of article 24(1)(a) of the convention. She should ask her tax office for the pamphlet on double taxation relief, IR6.

If your wife has no UK income tax liability on the Japanese royalties (if they are covered by loss relief, for example), she can treat them as being reduced by the amount of Japanese tax. If that is to her ultimate advantage – under section 311(1) of the Income and Corporation Taxes Act 1988.

*In a local reference library, you should find a copy of the double taxation convention with Japan in, for example, volume F of Simon's Taxes,

British International Tax Agreements, volume 6 of the British Tax Encyclopedia, or Butterworths Tax Treaties.

Policies may escape tax

MY HUSBAND and I each have 15- and 20-year with-profits endowment policies which mature in 1996. I am considering selling them on the secondary market. One broker has advised that higher rate taxpayers would incur a tax liability which is not levied if the policies are held to final maturity, while standard rate taxpayers incur no tax



Q&A BRIEFCASE

liability. What is the position? ■ The broker is thinking of section 540 et seq of the Income and Corporation Taxes Act 1988. In a library, you could look this up in one of the multi-volume tax works such as Simon's Taxes (volume G). You will see that, if your husband's policies and your own are "qualifying" and have not been made paid-up within their first 10 years, then they will escape the tax charge in question by virtue of subsection 1(b) (ii) of section 540.

Go back to the broker and ask why he thought that section 540 would catch the sales of the policies (in case there is some crucial point which you did not mention in your letter). The policies should also escape capital gains tax by virtue of section 210(2) of the Taxation of Chargeable Gains Act 1992.

Share gifts to grandchild

I WOULD like to give shares to my grandchild from time to time, so creating a fund for her use on her 18th birthday. I believe she cannot hold shares in her own name until then. If this is the case, can I make simple arrangements to act as her trustee until that time? (I stress the word simple because I shall not be giving her very large sums which would justify expensive legal procedures; I have other grandchildren to provide for later). Would it be possible for my wife to be a joint trustee in case of my death?

■ You are correct in saying that your granddaughter would not be able to own

shares in her own right until she is 18. But you and your wife could hold the shares for her in the form of a bare trust. This requires drawing up a simple declaration of trust. The shares are in your name, but your granddaughter is entitled to the dividends. Depending on the level of her income, she may be able to use her personal allowance to obtain a repayment of the tax credit attaching to dividends.

An alternative course would be to set up an accumulation and maintenance trust, but you might not wish to go to the bother of this arrangement if the amounts involved are very small.

This reply was provided by Barry Stillerman of accountants Stoy Hayward.

Probate values

ON JULY 10, you published a response explaining how substitute sale proceeds could substitute for probate value. My question is: Does a further probate valuation count in the same way as a sale?

My wife inherited some stock from her mother and died just under one year later, in which period the market had declined. Can the probate value of the stock for my wife's estate replace the figure used for the stock in her mother's probate value? If so, would all items of stock need to be considered, or could a substitution be made of just those shares that declined in value in the period?

■ The legislation which provides for the revision of probate values applies only where the shares are sold. A sale would not include the devolution of the shares under your wife's will, or intestacy. Unfortunately, therefore, you cannot revalue the shares in your mother-in-law's estate just because they have fallen in value and have been included in your wife's estate at that lower value.

This reply was provided by Barry Stillerman of accountants Stoy Hayward.

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PERSPECTIVES

A second venture into Infinity

DOUG SCOTT, Britain's most accomplished Himalayan mountaineer, is delaying fate to launch a second attempt on Nanga Parbat's Infinity ridge, the longest unclimbed route on an 8,000m peak.

Last year he narrowly escaped death in a bombardment of rocks on the Pakistan peak when four members of his team of seven were in retreat down the mountain because of a severe storm.

Scott, the first British climber to ascend Everest, had been making a reconnaissance of the planned descent route when a violent storm hit the group, was knocked 100m down the steep Rupal face after being hit in the chest by a rock.

When Scott got to him he was surprised and overjoyed to find that Perchin was still alive. Unable to walk, the Russian was half-carried, half-pulled by Scott and another team-mate down the mountain to Camp 1 at 4,900m over difficult terrain in appalling weather.

The next day, cameramen Sean Smith, himself hit in the chest and foot in the rockfall, half-climbed, half-hobbled down to base camp at 3,500m to raise the alarm. At base camp, Alan Hinkes - a member of the team and one of Britain's most experienced mountaineers - helped to create a makeshift stretcher. Hinkes, Ang Phuria and Nga Temba, two climbing sherpas, plus two French trekkers, two local porters and a cook then climbed back up in freezing rain and mist to carry Perchin down across steep scree and loose boulders to base camp.

Two days later the tenacious Russian had partially recovered. "It is one of the most dangerous routes I've ever been on," said Scott afterwards of the descent route. "We are all recovering from the shock and horror of what happened. We are all lucky to be alive." Alan Hinkes and Sean Smith were so shattered by the experience that they decided to go home. This did not stop Scott, a few days later,

from persuading the three remaining fit members of his party to make a last-ditch attempt on his long-dreamed-of Mazeno (or Infinity) ridge.

At a time when most Himalayan climbers are obsessed with attempting the steepest faces, the Mazeno ridge seems like a return to traditional mountaineering: all the great Alpine and Himalayan mountains were first conquered via ridges.

What makes the climb unique and highly dangerous is its unusual length and sustained height. Approximately 13km as the crow flies (no one really knows), the route is the world's longest unclimbed ridge. From the Mazeno col the route follows a knife-edge ridge ascending and descending at

Richard Cowper joins one of the last great challenges in mountaineering

least seven mountains, most over 7,000m, to the Mazeno gap. Then comes the final grueling ascent in the so-called death zone to the summit of Nanga Parbat at 8,125m.

The ridge is awesome because of the distance climbers have to travel at a height where the body functions at less than 30 per cent of normal capability. In addition, a climber is exposed to the full fury of Himalayan storms from all points of the compass, whereas faces often offer protection in bad weather.

However, it was in a period of perfect weather that Scott and his three companions climbed on to the Mazeno ridge for the first time from just below the Mazeno col and went on to scale the first three Mazeno peaks, all hitherto unclimbed. But their previous exertions had taken a great physical and mental toll, and when a storm nearly blew them off the ridge they decided to call it a day.

Mountaineers have tried to climb Nanga Parbat via several routes since Alfred Mummery, the famous British mountaineer, died making the first attempt on the mountain in 1895. But the difficulties of the Mazeno ridge have kept all but one team away, and that by chance. In 1979 a group of 22 top French climbers, led by Jean Pierre Fresafond, were planning a new route on the Rupal face of Nanga Parbat when an earthquake denied them the chance. At the last minute they shifted their efforts to the Mazeno ridge. The climb ended in disaster after only a minor Mazeno peak had been scaled.

Scott, however, remains hooked. Noted for his passionate commitment to a handful of big mountains, he has returned to Pakistan to lead a second assault on the ridge with an expedition of just three climbers. The other two are Wojciech Kurtyka, a Pole, one of the world's most outstanding high-altitude mountaineers, and myself.

Like Scott, Kurtyka has long dreamed of climbing the Mazeno ridge. It is not difficult to understand the lure of the mountain: bounded to the north and west by the river Indus, Nanga Parbat ("Naked Mountain" in Sanskrit) stands in isolation as the dazzling culmination of the western half of the Himalaya. Looking to the summit from base camp in the Rupal valley, it rises almost sheer for close on 5,000m, the biggest face on any mountain in the world.

Many say it is also the most beautiful of the Himalayan giants. But it is famous for savage storms and avalanches. This century only 102 climbers have reached its summit but 55 have lost their lives trying. It is the world's most dangerous peak.

This does not deter Scott or Kurtyka. Both are committed to climbing hard in lightweight Alpine style with a few friends. If anyone can climb the Mazeno ridge without oxygen and without a chain of old-fashioned camps strung along the route, it is this pair.



Into the death zone: Nanga Parbat is regarded as the world's most dangerous peak by mountaineers

How Nashville got serious

From Page 1

audience than traditional country fans, and whose records are hits on the regular pop charts as well as the ones restricted to country music. To "cross over" is to earn very big bucks. Brooks is so popular because he sings strongly melodic tunes with original lyrics and delivers the package with great intensity. His musical influences go well beyond the traditional country roster to include James Taylor, the melancholic folk singer popular in the early 1970s, and Elton John.

In subject matter, too, Brooks' songs break new ground for country music which used to focus on a few narrow themes, revolving mainly around the hard times and love life of the macho, white southern male of rural, working-class origins (known as a redneck or "good ol' boy").

In traditional songs, his woman has left him, or fails to reciprocate his passion, and he seeks escape from this tribulation by drinking beer (six packs) in a bar (honky tonk), driving around in a pick-up truck (the Ford), remembering the salt-of-the-earth goodness of his parents (Mama 'n' Papa), praying to God (the Good Lord), or thanking his lucky stars that he was born in the south (Dixie).

Many of Brooks' songs also deal with these clichés, although he handles them freshly. But he also sings about such delicate contemporary issues as date rape and wife battering, and, in *We Shall Be Free*, he makes an appeal for racial, sexual and religious tolerance which contrasts sharply with the south's reputation for bigotry.

Long-time Nashville song-writer Richard Leigh, who wrote the 1977 cross-over hit *Don't It Make My Brown Eyes Blue*, says: "There is an urban discovery of country music going on, so you cannot just sing about chickens and pick-up trucks because that is not exactly within the experience of a wide variety of people. We are not an agrarian society any more."

Yet Nashville's much-vaunted new openness is still

pretty limited. Take what happened to the talented singer & d lang, who had an impeccable background for a country artist. She grew up in the rural prairie land of Canada, then tried to make a name for herself in Nashville. The industry cold-shouldered her, partly because of her lesbianism and partly because, as a vegetarian, she made a television commercial attacking the beef industry - an impolitic move given the strong links between country music and cattle farming.

She, in turn, transformed herself from a country artist into a more sophisticated mainstream performer, as have some other male artists. But



Garth Brooks: lyrical intensity

for every Garth Brooks, there are a dozen or so Nashville singers making records with strongly traditional themes.

An example is Joe Diffie, a leading performer of "cry in your beer" honky tonk rock; his latest album includes songs such as *I Can Walk the Line*, *If It Ain't Too Straight* - an appeal for his nagging woman to give him some slack from domestic constraints. Many country songs remain cloyingly sentimental and deeply religious, and there is a sizeable streak of kitsch at the heart of the industry.

While country has changed, its new face might still be too parochially middle American for most European tastes. The good ol' boys may have moved from Mama's farm to suburbia, but they have taken a lot of down-home sentiments with them. While this bourgeois gives country its sense of individuality and history, it also circumscribes its development.

MINDING YOUR OWN BUSINESS

Blueprints for a recession

"PEOPLE said I wouldn't make a decent living out of doing this." So far that has proved all too true for Walter Menteth and for many of the others who follow the same career.

Menteth is an architect, a one-man band drawing, designing and project-managing small building schemes from a converted art-studio workshop in one of the more tired areas of south London.

The image of a self-employed architect might be that of a Jaguar driver with large suburban home and kids in private school. But Menteth last year earned from his practice just £11,500 after deducting running costs from his fee income of £29,000.

"In many ways, I've been very lucky. Some architects have been forced to sell their homes in order to generate cash to keep their businesses afloat."

Britain's 32,000 registered architects complain that they are in the lowest paid profession with a mean average salary of £24,000 a year. The recession has proved particularly unkind to them. Of the 6,500 architectural practices, the Royal Institute of British Architects says more than half are one or two person businesses. This is up by 1,000 from five years ago as practices cut staff and those receiving their P45s set up on their own.

"There is half as much work about now compared with 1989 and much greater fee competition," says the institute. "Those architects classed as unemployed or underemployed was 14 per cent in the last study in 1991 but we would be surprised now if it is less than 20 per cent." As the malaise in building is so pronounced it is surprising that this figure is not higher.

Every profession has its fat cats. In architecture big names like Sir Richard Rogers and Sir Norman Foster are not short of a few bob. But for younger architects like 36-year-old Menteth, money does not grow on trees.

Having completed his BSc in architecture at Nottingham University, Menteth worked in Belgium and Germany, and after jobs in a couple of practices in Britain, set up on his own in 1985, first in his flat, then in small studios. He had no capital.

Menteth says architects should possess some sensi-

ty in their make-up. "You have to have something like that if you are designing for humans. Architecture is a humanist, a liberal profession."

Some might say Menteth takes this to extremes which prove to be both a strength and a weakness in running his practice. Much of his efforts are directed towards housing associations and local community projects which held up better than commercial work during the first stage of Britain's construction crash. But he missed out on some of the more lucrative commercial business of the mid-1980s and public sector cash constraints are now crippling community projects.

"In the development boom I felt myself out of kilter. I was not enamoured with it and thought it was structurally wrong. There was a lot of money to be made and opportunities for extending egos. But I didn't see anyone doing buildings that I'd like to see done for people."

Most of Menteth's work involves refurbishment, and he has just completed his first new build project, a small block of flats. His biggest proj-

ect is a house under construction for a total cost of £440,000. His smallest was an £800 contract to build a small set for an exhibition.

Architects' fees sound handsome. The national charge scale ranges from 5 per cent to 16.5 per cent of total project costs depending on type and size of the building. But that does not help much if there is a general shortage of projects and when new cost pressures are squeezing small practices. Housing associations, strapped for cash, now tend to ask Menteth to design projects effectively free of charge, payment only made if or when the association has money released to it for the purchase of land on which to build. "You can spend two years working on a project and then a further one and a half years to get your money. It is pretty diabolical."

Competition is so severe that some architectural practices are waiving fees for feasibility studies. "There was one case in which one fee tender was £55,000 while another practice tendered for zero. Small practitioners will never get a look in while this is going on because of their low capitalisation."

Competition is so severe that some architectural practices are waiving fees for feasibility studies. "There was one case in which one fee tender was £55,000 while another practice tendered for zero. Small practitioners will never get a look in while this is going on because of their low capitalisation."

Menteth struggles sometimes to see the benefits of working the way he does. "It is difficult to take holidays. There is a lot of weekend and late night working to meet deadlines. I often find it lonely working on my own." Things might get worse as the government is seeking to deregulate architects and a general trend to take overall contract and design responsibilities away from architects and give it to other types of project managers appears to be taking root.

Nevertheless, Menteth hopes he can stay independent, dreading the idea of working for a large practice where, he says, he might have to specialise in lavatory installation or revising other people's drawings. "It is never easy to put up a good building and it never will be. I get a buzz out of seeing a building I've created or altered."

Walter Menteth Architects, 1a Hiffe Street, London SE17 3QA. Tel: 071-708 5825



Architect Walter Menteth on the roof of one of his buildings

Nick Garnett

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PERSPECTIVES

As They Say In Europe Wyatt Erm rides again

GEORGIE Soros and the Hedge Fund gang rode into town a week ago to release seven innocent governments from Sheriff Buba's clutches. The boys destroyed the Ems county jail and told the inmates they were free. But they just stood there. "Dutch" Gilder even built himself a tiny cell all of his own. Ed Balladur shouted that nothing had changed. Buba's notorious deputy, Rip van Kinkel, said he would have the whole lot back inside on January 1.

The inmates had lost their chains but gained a brand new set of resentments. Unwilling to stumble into the great wide world, they muttered imprecations against those responsible for making them responsible. The French had coined the phraseology of the "Anglo-Saxon plot" but it was in Spain that it became the official view as state television hammered the message home.

Generally the broadcast media had a bad monetary crisis. German television stations, for example, took hours to grasp the significance of the failure to cut the discount rate. And German newspapers seemed out of touch—as usual. They showed little interest in the activities of their Bundesbank until the crisis was on its last legs.

Last Saturday, when the ERM was plainly in a terminal state, the *Frankfurter Allgemeine* led on the Christchurch-by-election in which British Conservatives fared so badly. But eventually atavism took over, and supporting national resentments burst out from the smooth skin of words usually applied by liberal-minded editors.

Which gave me something I have longed for: a French review of the German press. The news agency AFP wrote: "The *Die Welt* daily newspaper sneered at what it termed 'The grotesque international pleading to the Bundesbank'."

There you have two national attitudes for the price of one. It also revealed a gulf in attitudes towards what the French call the "process of European construction" and the Germans call nothing at all. When Edward Mortimer told of his journey along the linguistic fault-line of western Europe in the *Weekend FT* last week, I spied the shadow of John Major at his side.

As Mortimer travelled through Belgium, Alsace and Switzerland, the British prime minister was pointing out his beloved monetary fault-line. To the left lay those who keep their houses in sparkling order. To the right the Latin layabouts who expect to don the policies of others and prosper as a result.

That, at least, is a Germanic

view of the situation. The French wrongly believe that it is the British who are so very different from themselves. In fact the past week has shown that normal opinion, in its raw form, in Germany is little different from that in Britain. Was it the *Evening Standard* or the *Hamburger Abendblatt* which cheerily said that the EC timetable for economic and monetary union was now "waste paper"? It was the latter.

As a result of the debacle it was not, in the German view, the prisoners who were freed by the collapse of the ERM, but the jailer. The Bundesbank "no longer had to make constant allowances for weak partners in the currency grid," wrote a Berlin paper.

The concept of "strength" has played a perverse role in the whole saga. Neither the French economy nor the franc are "weaker" than their German counterparts. The franc is less "attractive", that is all. And that is because the French economy suffers few of the weaknesses of the German, with the result that it does not need applications of a "drop dead" monetary policy from a sado-masochistic cosmetic surgeon such as the Bundesbank.

What France does possess is a rich tapestry of paranoia fashioned by skilled craftsmen over the ages. Some nations take their troubles in their stride or remain blissfully ignorant of what is going on. But the French this week cast the blame far and wide—Soros (of course), the British and the Americans.

I should have expected this but was still surprised when *Le Méridien* wrote: "The time has come to identify the beneficiaries and maybe the real actors in this disguised implosion of the EMS. And already behind a disunited Europe which has to rethink all its community mechanisms there naturally appears the shadow of GATT."

The exchange rate system has not, in fact, been wrecked by the free trade cowboys. In the real world the currencies of the ERM now fluctuate within a 4 per cent band, which is stable enough. The revolt on the markets was against high interest rates, not exchange rates. In France, on our family holiday next week, I shall receive only 10 centimes more for each £1 than before the Anglo-Saxons tried to wreck the French franc. Damn. The plot failed.

James Morgan

James Morgan is economics correspondent of the BBC World Service.



Bang-bang: grouse shooting in the Borderlands. Grouse are the primary economic resource over some 4m acres of England and Scotland

The mysteries of the grouse moor

THE BEST use of heather moorland is grouse shooting. An outdated assertion? No: it is now firmly agreed on by all who twin ecology and employment as desirable land use aims. Grouse shooting generates more income from heather, consistent with good conservation, than any comparable upland activity. The 450,000 UK grouse shot annually have a commercial value of £25m. For those who like shooting fast-swinging birds, the grouse is a uniquely testing quarry worth paying for.

Against a background of decline in many British bird species, how is the red grouse faring? Grouse are the primary economic resource over some 4m acres, spread across about 400 moorland shoots. About 100 are in England, the rest in Scotland. Based on game bags, numbers are high in England and low in Scotland.

Grouse have been studied for many years and have proved as notoriously hard to understand as they are to shoot. Although the species is better known biologically, management practices for guaranteeing a good grouse stock have only edged forward. There are still examples of moors where conscientious management results in inexplicably falling grouse numbers, while across the way, on rival shoots, birds pack in masses to

hurtle over lines of marksmen.

The Game Conservancy, an independent conservation agency, started its Scottish grouse research project in 1984. In spite of the eccentricities of grouse moor performance, the Game Conservancy's exhaustive analysis of different moors has allowed the expression of several generalisations.

For example, where moors are game-keepered, there are more grouse. Grouse-keeping involves management of the heather, usually by controlled rotational burning, elimination of predators (foxes and crows), and provision of facilities to benefit grouse, such as "dew-pans" (excavated springs) and quartz grit (used for breaking down woody fibres in the grouse's heather diet).

Climatic influences, recognised by shooting people for a long time, are confirmed by scientific study. Dry and warm conditions which suit the growth of heather, and are common on the eastern slopes of British hills, produce more grouse. June is a key month, both for grouse chicks emerging from the egg and requiring insects, and for heather growth. Overgrazing of the heather plant has eliminated grouse in viable numbers from much of their western range.

Tackling over-grazed moors is a study area in which the Game Conservancy has taken steps. Removing

sheep during winter and reducing grazing in summer allows heather to grow back and shade out competing grasses. Where the land is more degraded and the heather seed-bank has gone, radical measures, such as the Conservancy's heather re-seeding machine, are called for.

This home-made utensil cuts slots in the ground, prepares them for heather seed, drills in the seed, and

The grouse season starts on August 12. Michael Wigan looks at the economics and politics of the sport

presses it down for eventual germination. By cultivating strips of heather it is hoped that the plant will naturally spread outwards and finally re-creates the old moorland cover. Early trials promise success.

The restoration of moorland for its own sake would be a whimsical extravagance were there not an important species to inhabit it. Fortunately, advances in disease control may be able to resuscitate grouse moor economics by eradicating the

population crashes which play havoc with sporting managers' finances.

Until now, good grouse stocks and big game bags were often followed by the virtual disappearance of the bird and the abandonment of shooting. One reason was sickness caused by strongylosis. Using medicated grit to kill off parasitic worms, which burrow into the grouse's gut, researchers hope that the boom-and-bust cycles of grouse populations may be broken. Results to date are encouraging.

The research which arouses controversy, even before it starts, is the Game Conservancy's study of raptors. Particularly on Scottish moors, raptors have a reputation as significant killers of grouse. For golden eagles, hen harriers and peregrine falcons, grouse are simply the largest and most available protein in an environment which in winter is almost devoid of life.

Modern bird books—sensitive to all the implications—have frequently suggested that raptors' reliance on grouse is negligible, a finding contradicted by the experience of gamekeepers. The Conservancy's raptor study, at present focused on hen harriers, will determine what impact predation has on grouse populations—a scientifically different matter from observed instances of predation. The climate of opinion today makes

restricting the spread of raptors to protect grouse moors a politically unlikely expedient. But the gradual disappearance of heather moorland is not popular, either. In any case, grouse moors have the advantage of being able to run on subsidised balance sheets. Gamekeepers are the custodians of the hills from which others have departed, protecting them from egg, flower and fish thieves.

In order to run commercial businesses, shoot managers have to maintain grouse at artificially high levels. Over and above breeding stocks, there must be a surplus to shoot. This artificial level, a manipulation of bird numbers by man, introduces ethical, biological and philosophical questions.

Euro-greeners are moving to outlaw all gamebird rearing. It is conceivable they will succeed. Wild birds are the time being seen as an acceptable sporting quarry. But if pheasant, black and partridge rearing were outlawed, the next domino to fall would be wild game managed for sports.

The shooting man would then be left patrolling hedgerows and stumps waiting on the chance gamebird falling to the wing. Or perhaps, by then, everything will have been protected. The gamekeeper will have passed into history, a tweedy rustic skulking in the woods, waiting only for Lady Chatterley.

Where to find the wild things

If you want to see a whale, pine marten or osprey, Michael J Woods knows the place

THE HIGHLAND midges were biting with fury on the evening I saw my first pine marten. But the rain held off and I sat quietly, smothered in insect repellent and with only my eyes peeping from my anorak, at a delicate, red-haired creature, the size of a small cat, picked its way among the mossy rocks and lichen-encrusted pine trunks to a bouldery den.

The animal soon disappeared but I was well satisfied, for the pine marten is one of Britain's rarest native mammals. Scotland is certainly the place to see many of the rarest species. Even if some are found elsewhere in Britain, they are often so uncommon that setting eyes on them is about as likely as seeing the Loch Ness monster.

Take otters. Now absent from most of England and many parts of Wales, they are so widespread on the Shetland Islands that, during a week's stay, I enjoyed daily sightings and even spotted one playing in the wake of an inter-island ferry.

The Forestry Commission has an otter-watching hide on Skye, at Kylesha, though the locals claim that they are no more common there than elsewhere on the island, and any sheltered sea loch on the west coast of the mainland or the islands should reward the patient watcher with good sightings.

When swimming, otters may be confused with seals, which also hang around coastal waters. There are boat trips to see colonies of seals basking on the rocks from several Scottish

locations including Ullapool and Oban, and you may also be lucky enough to see whales and dolphins.

If it is whales you want, you can take a special trip from Mull to look for minke whales or spend some time on one of the many headlands or islands along the coast, especially those overlooking the Minches, keeping an eye open on a calm day for the broken water which may divulge the location of a pod of cetaceans.

It can be a frustrating business, for you know full well that somewhere beneath the surface groups of these great mammals are sliding past. If you want to see dolphins, you can shorten the odds by looking out for the resident schools off the Cromarty cliffs or from headlands in the Moray Firth.

On land, Britain's largest mammal is the red deer. While they occur in England and Wales, many conservationists feel they have reached plague proportions in Scotland. Although they are stalked, shot and killed, these deer can be surprisingly confiding, especially if you come at them with the wind in your face and use the lie of the land to mask your approach. Two prime times for deer-watching are June, when the calves are born, and during the rut in October.

Red deer are so widespread they are usually visible from the A9 road between Perth and Inverness: failing that they are common in the Cairngorms, with a deer reserve in Glen Muick near Ballater. There is also a well-researched herd on the Isle of Rhum where some

scientists believe that the only pure British red deer herd may soon exist (mainland reds are increasingly breeding with introduced Japanese sika deer). Apart from the reindeer, brought in in 1952, the Cairngorm area is a good place to look for mountain hares, notable in the winter when their coats become white, and also wild cats, though seeing a wild



cat is a matter of chance. If you are lucky you may spot one on a quiet walk in lonely countryside or perhaps see a thick-tailed tabby dash across a country lane in the beam of your headlights.

Birds are much more predictable than most mammals, especially in the nesting season, and dramatic sea bird stacks and islands are found all round the Scottish coasts, with large colonies of various species. There are spectacular gannetries on Bass Rock in the Firth

of Forth, on St Kilda and on Unst; nocturnal shearwaters have nesting burrows on Rhum and the Shetland Islands; and noisy kittiwakes, guillemots and razorbills crowd the ledges in many places.

Scotland is probably best known for its raptors, especially golden eagles and ospreys. The former frequent remote mountains and cover huge territories, so seeing one is a matter of luck. Recognising many of these birds of prey can be difficult as they are often seen as silhouettes against a bright sky at indeterminate height, so that judging size becomes a problem.

A large bird with white underparts plucking trout from a loch is a different matter, and very obviously an osprey. These have been a conservation success story since the mid-1950s. It is still possible to see them from the special hide at their nest at Loch Garten, while the Scottish Wildlife Trust has an osprey site at Loch of Lowes near Dunkeld.

Apart from the sheets of purple heather which flower in August and September, there are a number of specialities to delight the botanist. The shell sand machair of the Outer Hebrides is a distinctive habitat which supports a variety of orchids and other fine-loving species while, for the mountain plant enthusiast, Ben Lawers, in particular, has Arctic-Alpine flowers such as gentians and saxifrages.

The native pine forests of Scotland, of which only fragments remain, are a sight still sought by many. As a centre for the mountains, the Avie-

more area, with its pine forests, reindeer and ospreys, together with the chance of seeing eagles and red deer, is hard to beat. But if it is otters and seals you want, the possibility of cetaceans, too, then Shetland, Skye or Arran-murchan and Sunart can be good.

Perhaps, instead of admiring the midges, it would have been better to have encouraged my pine marten to visit me in some well-located self-catering accommodation. A fortnight might just be enough. These animals have a sweet tooth, and small squares of bread and jam left out for them are said to work well. Others, though, swear by chocolate buns: the animals cannot carry it away, so they have to eat it on the spot.

Busta House Hotel, Shetland (tel: 090-622 505) has otters almost at the front door. Skyes Charters, Skye (047-452 413) offers weeks of sailing classic boats with plenty of wildlife included. Whale-watching trips from Mull with Richard and Judy Fairbairns can be organised on 0800-424-424. Rhum Castle, Isle of Rhum, offers a good place for deer, otters and re-introduced eagles (0887 2037).

In Edinburgh, the Royal Society for the Protection of Birds is at 27 Robert Burns (Edinburgh EH2 7RN). The Scottish Wildlife Trust is at Cranmore House, Cranmore, Glebe Road, Edinburgh EH4 6NS. Where to Watch Mammals in Britain is available from the Mammal Society, Zoology Department, University of Bristol, Woodland Road, Bristol, 23.

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FASHION

His habit started 11 years ago, when he popped into a smart London shop and bought a long checked skirt for £80. In the first of a short series on people who buy clothes for their partners, Nick Lander explains the pleasure he gets buying clothes for his wife, Jancis Robinson – usually on impulse and always without her

Your skirt is lovely, Sir

I MUST confess to an addictive habit, one that I have suffered from for the past 11 years. It has proved expensive but not extravagant and has given me a great deal of pleasure without harming anything other than my wallet.

It began modestly just after 10am one December morning at Brown's in South Molton Street, London. Looking furtively both ways to make sure I would not be spotted, I walked in and bought a long, checked Perry Ellis skirt for £80.

My habit continued in a basement in Soho, took a strong hold in a designer's shop off Carnaby Street and reached its most costly form nine years later at Jaeger in Regent Street. But I have indulged in it around the world – on the last occasion, three months ago, in a very plush shopping plaza in Hong Kong.

I really enjoy buying clothes for my wife, usually on impulse and always without her. It is not just the giving which supplies the pleasure. Nor watching her put on what I have bought and wondering whether she will like it (so far the success rate is 100 per cent).

What I like is that buying the clothes and watching my wife wear them dramatically increases the sexual message that all good fashion designers try to instil in their clothes.

I have no fashion knowledge or training but I know what I like – strong, individual designs or patterns, good fabrics well-cut, clothes that hang well. I like, too, those things which appeal immediately, even on the rack, but give the impression that they will last.

I know that these are not uncommon likes, but for me there are two extra sources of pleasure: first, imagining Jancis in them when I am in the shop and she is not, which is obviously the fantasy element; second, seeing her wear them when I revert to the role of proud husband.

The designer Betty Jackson nurtured my habit. When I tentatively mentioned to her that I was looking for something for my wife, she told me to come and look around her workshop. I was smitten, and a number of outfits followed: an olive green wool skirt with two possible tops and a grey, patterned jacket and jodhpurs. This is now the only

shopping I find exciting.

A couple of years later, flipping through *Vogue*, my eye was caught by a short, risqué red velvet dress, designed by Helen Storey or Karen Boyd (I forget which, for reasons which will become clear). I strolled confidently to the designers' shared shop to be shown by the assistant not only the dress I had spotted but its sister, a short crimson skirt and matching jacket with a plunging neckline. Both were £140.

It was late on a cold December evening but the shop assistant showed great concern. I was indecisive. Even when she put them on the mannequin I found it difficult to choose. Then she showed her initial

tive, closed the shop door and modelled them for me. An hour-and-a-half later, still undecided, I bought both.

Since then, no designer label has given me the slightest apprehension. I have flirted with Ally Cappelino and bought a very expensive Jean Muir outfit when our marriage passed a significant landmark. This cost over £500, but I knew it was right from the moment I saw it – a plain silk top, knee-length linen skirt and a wonderful white linen jacket with a large, black fish motif all over. Just the thing to be seen in a restaurant with.

I do not often balk at the price, though I did once. Five years ago a

Chanel suit seemed appropriate but the price, more than £500, was totally out of the question. Fortunately, my knowledgeable mother-in-law knew the mill in the north of England which wove the fabric and, more important, the mill shop. A tailor in Soho did the rest for a quarter of the price.

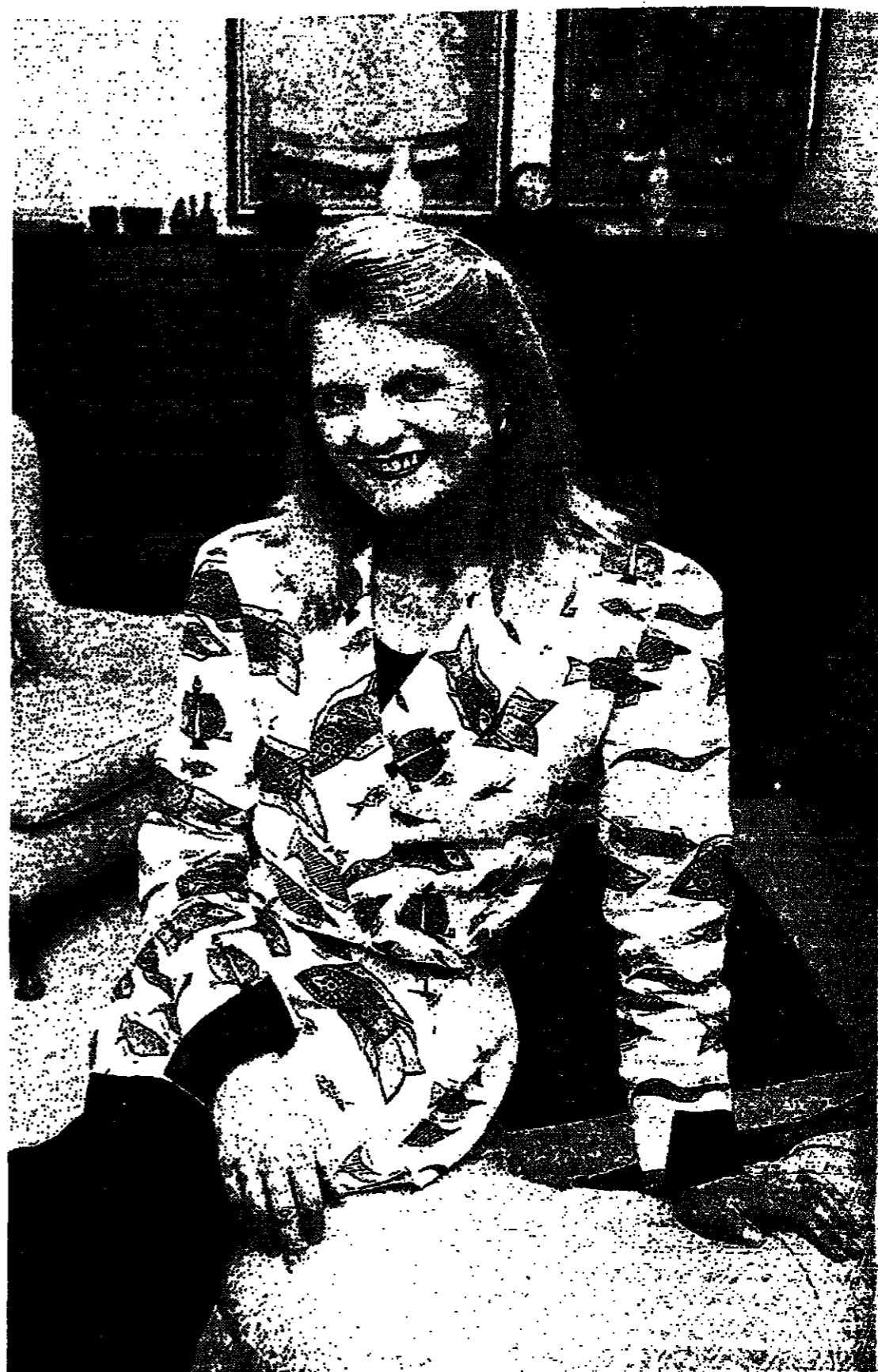
It is not really the price which intimidates because I always have a maximum in mind. It is how I am treated once I have had the temerity to cross what was considered a no-go area for males that determines whether I will stay and part with my hard-earned credit card. I immediately left a shop in Knightsbridge when I was shown a lovely dress priced at twice my maximum.

What has added considerably to the pleasure has been the reaction of almost all the shop assistants I have encountered. At first they show surprise mixed with amusement, but this turns quickly to friendly concern. The young woman at Jaeger seemed as excited as I was with the Jean Muir, and genuinely touched by my gesture. As she wrapped the parcel she told me she had just become engaged and hoped her future husband would come home with similar packages.

I am sure I ask the assistants questions that make their working life more interesting. What could be the biggest obstacle – size – has never been a problem. I try and find someone in the shop who is roughly the same size as Jancis, but every once I have bought from has said that I can change clothes if necessary. And although I am quite firm with the price of the main outfit, I am a pushover when it comes to accessories.

Fashion designers and retailers of women's clothes may do well to cultivate the male buyer. On a recent food writers' trip to Hong Kong, our party walked past a shop with a striking Donna Karan dress in the window. It was a long-sleeved, body-hugging red Lycra dress with a broad red bow at the neck.

I stopped to admire it, as did the only female member of our party who selflessly volunteered to model it for me. I bought the dress, which cost £75, and on the way to the airport she confessed that she had gone back the next day and bought a similar one for herself.



Jancis Robinson wearing a fish-motif Jean Muir linen jacket – courtesy of husband Nick Lander

Dressed to thrill

THE best thing about having a husband who arrives home with an armful of expensive carrier bags whispering glamour is – the husband. But this page is concerned with fashion, rather than romance or virtue, so I will confine my observations to the clothes.

The second best thing about having clothes chosen by your spouse is that you are obliged to try colours and designs that are normally outlawed by your own prejudices, often for no sound reason.

Thus my first Betty Jackson ensemble, in a shade of green I would never even have fingered, was one of my most admired during its first outing nearly a decade ago, and has just (sorry, Betty) been reconditioned for re-use in the economical 1990s. And my most useful garment last summer was the red Hong Kong dress which had bare shoulders and long, tight sleeves, a combination, I would have thought – quite wrongly as it turned out – which would have made it unsuitable both when it was too hot or too cold. In fact the stretchiness of the fabric means you can pull the whole thing up around the neckline if necessary.

I have always been thrilled by these surprises, but sometimes appalled by the extravagance. The brace in dramatic red velvet has

been particularly difficult to amortise sufficiently to appease the conscience of one brought up to believe in the virtues of parsimony. I wonder where that *venduse* is now?

The price tag that made me most uncomfortable was that spent on Jean Muir (and this was from her cheaper, Studio range). The fishy jacket is wonderful and will doubtless be worn for many years, but the simple black top and skirt were ludicrously overpriced and a duplicate of what most women have already. Perhaps I should have saved a few hundred pounds by quietly taking them back. But exchange seems a brutal response to a gift.

All I would say to men who buy clothes for women is this: size matters. Snoop for clues on labels of tops and bottoms already in her wardrobe. Most British women are somewhere in the 10 to 16 range. It is as humiliating to be bought something too big (implying that he sees you as an elephant) as it is to model something for him with a gaping zip. Try to choose things where fit is not so crucial. Right waists and figure-hugging tailoring are much riskier than looser jackets. Knitwear, scarves, shawls and wraps, anything stretchy and accessories (other than shoes) all make better bets.

Jancis Robinson

FOOD AND DRINK

Cookery

The best of British in the open air

Philippa Davenport flies the flag for traditional picnic fare – as long as the weather holds

FOR YEARS now, most British picnickers have failed to fly the flag. When France reigned supreme in matters gastronomic, we spread gingham cloths with sticks of bread, ripe soft cheeses, pots of rillettes or other pates and a few cornichons. Then came the fashion for gazpacho and potato-packed Spanish omelettes. The Italian phase began with Parma ham wound round grissini, and mozzarella with tomatoes and basil. More recently rocket, focaccia, sun dried tomatoes and bresaola have been to the fore. Squeezed somewhere in between were Greek-Turkish and Middle Eastern favourites, including dolmades, spanakopita, tefelaf and pitta breads stuffed with bulgar wheat and parsley salad.

The Mediterranean circuit thus completed, it is not time to return home? Nostalgia for British picnic favourites with sand in the sandwiches prompted me recently to put some childhood memories into edible practice and I rejoiced to rediscover just how appetising

our own native picnic offerings can be.

The traditional picnic sandwich made with alternate slices of good brown and white bread, sliced natty-thin, cut into triangles, crustless or not as you wish, is satisfying and truly delicious when filled with such things as potted shrimps and watercress, tomato with mint, roast chicken and York ham with lettuce, and cucumber with Marmite. So too are jam sandwiches, particularly when made with greengages jam sprinkled with walnuts laid on bread spread with cream cheese or butter seasoned with orange zest.

Also well worth reviving in picnic circles are individual meat pies small enough to fit into the palm of your hand;

hard-boiled eggs served with screws of greaseproof paper containing Maldon salt and chopped fresh herbs in which to dip the eggs as you shell and eat them; and the partnership of fruit-laden luncheon cake with wedges of hard English farmhouse cheeses.

After years of absence such treats seem almost novel now to the young born into a quiche and pizza society, and these British picnic foods are distinguished by one undeniable advantage over most other options: they are easy to pack and unpack and relatively unmessy to eat whether you are sprawled on the grass or beach or are forced to sit sardine-fashion packed into the car. No mean consideration given our climate.



LITTLE LAMB PIES

(makes 14-15 small pies)

Individual pies like these should comfort the shivering after a dip in the Atlantic briny. They could be tucked neatly into the saddlebags of riders and cyclists, and might prove welcome slipped in alongside the pocket hip-flasks on the Glorious Twelfth.

1-1/2lb neck fillet of lamb; 1 small onion; 4-6oz mushrooms; a generous knob of butter; a little lemon juice; fresh chopped mint; 1/2 teaspoon curry powder; 1/2 teaspoon flour; lightly chilled shortcrust pastry made with 12oz plain white flour, 3oz each butter and lard, a good seasoning of salt and freshly ground black pepper and about 4 tablespoons cold water to bind;

beaten egg to seal and glaze the pies.

Rub the lamb with pepper, brush it with lemon juice and let it marinate for a few hours. Then grill it until browned without and juicy pink and tender within – about six minutes on each side. Let the meat cool before dicing it. (Dicing gives the pie much better texture than mincing or whizzing the meat in a food processor.)

Chop the mushrooms quite small and sauté them in a little butter until tender and reduced in bulk. Remove them from the pan. Add a little more butter and the finely chopped onion and cook until the onion is thoroughly softened.

Stir in the deliberately small quantity of spices. The idea is to season the dish interest-

ingly, not to "curry" it. Sprinkle on the flour, pour on 2-3 fl oz water or stock and the juices that run from the lamb when you chop it. Cook, stirring continuously, until the gravy thickens and clings to the onion sticks. The mixture should be moist, not wet, but not so moist that it prevents the filling ingredients and prevents them from drying out during baking.

Draw the pan away from the heat. Stir in the mushrooms and lamb. Season with salt, pepper and two tablespoons chopped mint and mix well.

Roll out the pastry and cut half of it into rounds large enough to line mince pies or similar. Lay the pastry in the tins and spoon the (by now cold) filling into them. Cover with lids cut from the remaining pastry. Damp the pastry edges with beaten egg and pinch to seal securely. Glaze and make steam slits.

Slide the pie tins on to a preheated baking tray and bake at 400° F (200° C) gas mark 6 for about 30 minutes until the pastry is brown and crisp on top and set firm underneath with no hint of soggy.

PORT HAS been in the news again since a few of the famous houses have come out to declare the 1991 vintage – the first declaration since 1985. One or two companies have held back – notably Taylor and Fonseca – and it now seems likely that they will declare a 1992.

So, if you have a child or godchild who was born last year, hang on: you might find something more suitable for laying down next spring.

It is possibly a personal prejudice, but vintage port strikes me as a wintry thing: a decanter circulating round the polished walnut dining table while the logs crackle in the grate. But in summer, tawny port is my personal preference.

In Portugal the shippers chill them to make them more welcome in the baking summers of the Douro Valley. In the cold snaps of a Douro spring the bottles are, however, placed before the fire, as I remember

Tawny times in summer's dog days

Giles MacDonogh plumps for a lighter style of port for hot-weather drinking

from a visit to Cockburn's Quinta do Tua more than a decade ago, when a torrent of icy rain surprised us in the vineyards and the port provided a warming reviver.

Some of the best old tawnies come from the so-called Portuguese houses, a term used to separate them from the British houses which are household names to port drinkers in the UK. However, not all are Portuguese by any means: there were sizeable groups of Dutchmen, Germans and Scandinavians who settled in Oporto from the 17th century onwards and plied the trade in salt cod and wine.

Sadly, some of these old wood ports can be hard to come by: neither Quinta do

Novel nor Niepoort is easily available at the moment, as the former has been acquired by AXA, the French insurance company, and the lovely wines of Niepoort have been temporarily blighted by the demise of their British agents. On the other hand you may find Ramos Pinto, Burmester, Krohn and Calem and all four are worth a punt when it comes to their old tawnies and colheitas.

All the port houses make tawnies, the younger ones being generally a blend of ruby and white port to give them the distinctive tawny hue. Moving up the scale there are the premium tawnies such as Warre's Nimrod (£14.49, Fulham Wine Company, London, 071-371 0196) which retains something of its youthful aggression. Real quality, however, starts with 10- or 20-year-old wines.

To comply with the standards set by the Port Wine Institute a tawny must present characteristics of a 10-, 20-, 30- or 40-year-old wine. In reality the contents of the bottle will

be a blend of wines averaging out at marginally more than the stated age but some very young port will have been used to give the wine some "grip" on the finish: a dollop of pepper and fresh raspberries which prevents it from going to sleep on the tongue. This is an important counterbalance

year-olds also have this fruity sting to their tails: Sandeman's Imperial (£19.95 from Waitrose) Cockburn's (£17.99 from branches of John Harvey of Bristol), Graham's (£24.25, Harrods; £22.99, Selfridges, London) and Taylor's (£23.99 from branches of Threshers or Unwins). The Taylor is possi-

Portuguese houses make vintage tawnies under the name *colheita* (literally "harvest"). Unlike tawnies these are unblended and their detractors point out that old colheitas can taste a little tired without the young port they need to beef them up. This is very much a question of taste.

For the open-minded there are some marvellous colheitas to be had. Krohn makes a good '76 (the '78 does indeed taste tired) and a sharply gorgeous 1993. Vintage buffs will recall this as one of the best years since the war (£11.75 for the '76 and £27.95 for the '93 from Richmond Wines, 081-948 4196).

Calem is another house which specialises in *colheitas*. The 1992 may lack that spicy finish but it has a delicious mellow nuttiness (£328.37 for six bottles from Original Wines, 071-401 8664). There are few 40-year-olds about, but Taylor's makes a vibrant example with a rich, strawberry-like character (£63 from Harrods).

Tawny ports have the advantage that they are ready to

Tawny ports have the big advantage that they are ready to drink when you buy them

in wines of 20 years when wood ports become particularly mellow.

Two of the best available are from Portuguese houses: Burmester and Ramos Pinto. The former (£27.55 from branches of Barwell and Jones) is a highly individual, almost mediocrity wine, while the Ramos Pinto is a rare single-estate tawny from the Quinta de Bom Reiro (£25 from Harrods, London, 071-730 1254) which is distinguished by its firm finish. The best of the "British" 20-

does not appreciate the taste of wood port and who wants something for drinking now? I can recommend the following: 1993 Quinta do Cavado from Warre (£17.08 from branches of Thomas Pennington) with an enchanting chocolate and fresh fig character; 1978 Quinta de Vargellas from Taylor (£27.99 from branches of Threshers or Victoria Wine) with its peppery, raspberry character typical of the house style; and Fonseca's Quintaneros 1976 (£15.95 from Lee & Sandeman, 071-376 4767), which is very powerful indeed. My only quibble is that it is so splendid it would do no harm to lay it down for a few years to get the very best from it.

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PROPERTY

Pricey but desirable – that's Switzerland

And since restrictions can make it difficult for foreigners to buy homes, make sure to get yourself a good lawyer, advises Audrey Powell

WITH the Swiss application to join the EC on freeze – “we have not withdrawn it and we have not activated it,” says the country's embassy in London – the prospect of Switzerland becoming a member in the next few years seems remote. Thus, any large-scale relaxation of the restrictions on foreigners buying property is unlikely.

In spite of this, London solicitor Simon Malster – whose firm, Osborne, sells Swiss property to foreign buyers – says he feels the restrictions have added greatly to the country's attraction for buyers of second homes. “Switzerland has effectively maintained its exclusivity, high standard of living and quality of life,” he says.

Malster adds that although property prices may have dipped in some of Switzerland's major cities, they have not done so in popular resorts like Villars (in the canton of Valais). He stresses that people who buy there tend to be virtually recession-proof and that a market for the country's leisure homes exists throughout the world.

Random choices from Osborne's list in Villars include a two-bedroom chalet apartment, where you can ski to your back door, for £189,400, or a duplex apartment with three double bedrooms at £202,000.

Both can be occupied immediately. For the bargain-hunter, there is the Residence Dauphin: a four-bedroom apartment on two floors in a 200-acre private estate, also at Villars. Construction is “excellent” but the inside needs updating. Price: £230,000.

Only a handful of agents in Britain offers Swiss property regularly. Among them is Hilary Scott Overseas, which produces information sheets about some of the many regulations governing property purchases by foreigners – an almost impossible task since they vary from canton to canton and change often. But the rules also seem flexible, and a good Swiss lawyer is the first essential.

A foreigner may buy only one property. He cannot sell for five years (unless in exceptional circumstances) and must then sell only to a Swiss resident. After 10 years, though, he can apply for a permit to sell to another foreigner.

Quotas are issued for the number of properties authorised for sale to foreigners each year: for 1991/1992,



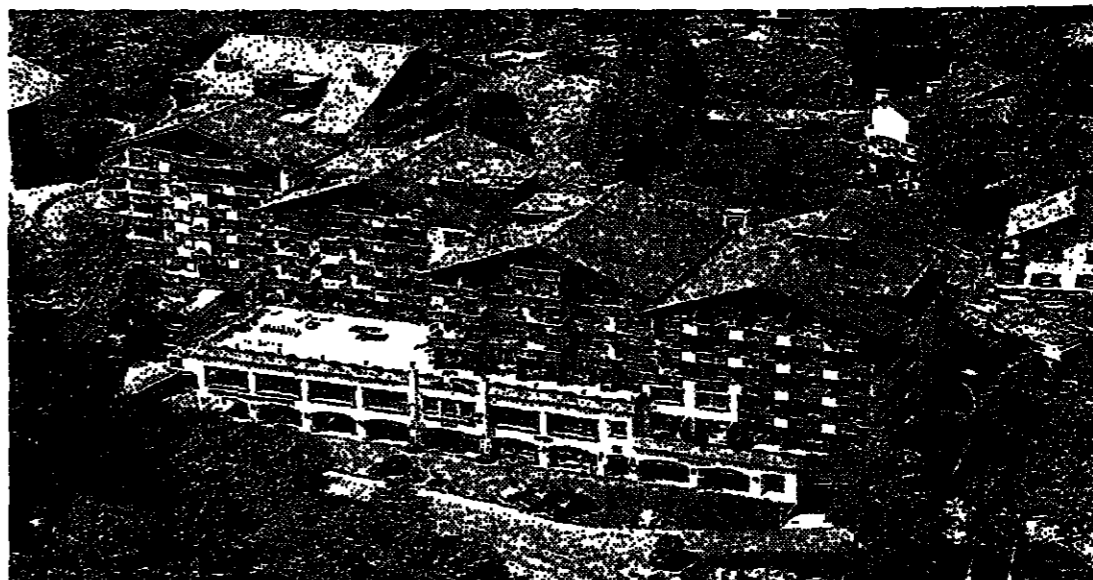
The Residence Dauphin, a four-bedroom apartment on two floors of this chalet at Villars. Price: £230,000 (agent: Osborne)

it was 1,420. The total is divided between the cantons, some of which may not take up their allocation.

Certain cantons (often those where German is spoken) virtually are closed to non-Swiss buyers so there are more opportunities to purchase in French (or perhaps Italian) speaking areas. But foreigners may only buy a percentage of apartments in any one building. Mortgage, at about 7.5 per cent, should be available from Swiss banks. Legal fees and transfer tax come to

about 5.5 per cent of the purchase price. Swiss property prices have been rising on average by 5.7 per cent a year. They may appear high, says Hilary Scott, but the Swiss found it unthinkable to build to anything

but the best standards. On top of that, the country has political and economic stability with good medical care, transport and general services – and that healthy climate.



Silvretta-Park at Klosters, where some apartments are available to foreigners (agent: David de Lara & Partners)

Hilary Scott has a choice of properties in Villars, including a development of 25 studio to three-bedroom apartments in the centre. Prices range from £72,000 to £455,000, with occupations from Christmas. Owners will be able to use the services and pool in a hotel across the road. So far, a third of purchasers have been British but the Swiss also are buying there – something to note should you need to re-sell.

This agency can offer rental and management services and deal with lettings. It says: “As a guideline, if a property is rented for 15 to 18 weeks a year, one can expect a return of about 2 per cent over the annual cost.”

Villas Abroad (Properties) has a spread of locations and prices for its Swiss holiday homes. There are plenty of re-sales, which probably will be cheaper than new, but these can present problems and may require a degree of patience. If a foreign vendor is involved, there is the need to ensure that he has been there long enough to re-sell to a non-Swiss. There could also be a long wait in some cantons to go through the procedure.

As recession touches Switzerland, you hear of local builders “leaning on” authorities to make it easier for new, rather than existing, properties to be sold. As always, situations vary between cantons. Again, if a Swiss can buy a property right away and a foreigner, while willing to purchase, must wait, a two-tier market with different prices can develop.

Villas Abroad has its own bargain suggestions. The Grand Hotel at Sainte-Croix, overlooking Lake Neuchâtel, is an old-style, stately hotel on the French Riviera scale with pool, tennis and other facilities. Nearly all its apartments have been sold and prices have now been slashed to clear the rest.

You might not choose the furniture that goes with them – large and heavy, although certainly serviceable – but the prices are down to £82,000.

Then there is Leysin, a resort on a plateau high above Aigle which is renowned for long hours of sun. Many buildings, originally clinics, have been converted to apartments, with some now available for around £88,000.

David de Lara & Partners is another agency which has property in a number of cantons. It produces a booklet giving brief descriptions of these areas and price ranges. Chalet-style apartments in Chateau-d'Oex (in the canton of Vaud) are from £160,000 to £450,000; in Wengen

(Bern), from £123,000 to £357,000. At Riva San Vitale, Lugano (Ticino), there is a one-bedroom apartment with three balconies, on the bank of the lake, at £145,000. In the village of Klosters (Grisons), few properties can be sold to foreign buyers, but the agency does have studios and one-bedroom apartments from £88,000 to £206,000.

With the growing number of golf courses and variety of recreational activities, many mountain resorts are changing in character. Indeed, the scenery from some has to be viewed through confetti-like showers of paragliders. “A lot of people don't want to be inundated with tourists. They want somewhere tucked away and quiet,” says de Lara. For that, he suggests Arbaz (Valais), with its lakes and forests below Anzère. Here, Les Jolis Chalets, four three-bedroom chalets on individual plots, are being built. Prices are from £190,000 to £260,000. Meanwhile, for the non-Swiss who would like his own chalet in Villars – where only apartments are allowed to foreigners in the centre – there is Le Petit Duc, a half-chalet. The lower section, with three bedrooms, other rooms, basement and garden is for sale at £570,000.

Osborne: 071-435 8811; Hilary Scott Overseas: 0243-564 315; Villas Abroad (Properties): 081-591 5444; David de Lara & Partners: 081-742 0708.

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SPORT / MOTORING

Women cricketers revive the old values

WE WERE on holiday in France when we saw an English newspaper with news of the first defeat at Christchurch and England's defeat at Headingley, both by a wide margin. There was an air of inevitability about these results, which was why it was so nice to go to Lord's last Sunday with a sense of uncertainty, indeed a twinge of national hope.

There was no reason England should lose the Women's World Cup final to New Zealand. It was the kind of sensation I had not felt since 1981, when England managed to draw the series with the West Indies and the nation celebrated Graham Gooch and Derek Pringle's victorious trudge off the Headingley pitch in the drizzle. It felt lovely.

On Sunday there were about 4,000 spectators at Lord's, including two men who had flown from New Zealand to watch their countrywomen play and were much elated by their trouncing of the old Australian enemy in the semi-finals. Compared with that, everything else was peanuts. Even so, only the Test match drew a bigger Sunday crowd to Lord's this summer: a compliment to the Women's World Cup, which attracted a lot of interest, and a dim reflection on the Sunday venture into brightly-coloured hit-and-run, which people have not been flocking to watch.

This was old-fashioned,

white-clothed, blue-blazered cricket played in a sporting spirit. It was only when one of England's pace bowlers (about fast-medium by men's standards), Susie Kitson, put on the bright blue hat she had lost in a burst of ferocious fielding that I even noticed what the players were wearing.

No-one made bad jokes about the divided skirts and long white socks because the

leaving a trail of confusion in her wake. It is relatively common to bat with one hand and bowl with the other, but Hampshire's Kevan James is the only man I can think of on the county circuit who bats and bowls with his left and throws with his right, as Chamberlain did on Sunday. Chamberlain ran out Debbie Hockley, New Zealand's top run-scorer in the World Cup, for 24 with a brilliant

sum dried out the damp. On their way to the final, New Zealand developed a fixed preference for batting second. Women's cricket in New Zealand is a tough business but used to good conditions. Last September, it amalgamated with men's cricket to form New Zealand Cricket (Inc), and the kind of second-class conditions enjoyed by English female cricketers came as a nasty surprise.

Unfortunately for the New Zealanders, England were delighted to bat first. Both Janette Brittin, with 43, and Carole Hodges, with 45, were unlucky to fall short of their half-centuries, batting with absolute correctness. Brittin's boundaries included a series of deaf leg glances and late cuts.

The women's ball is 0.5 oz lighter than the men's, and they cannot hit it as hard. In order to score fast, two of the first skills they learn are straight hitting and good timing. Even so, when 42 overs had gone and there were only 100 runs on the board, Chamberlain was sent in to add a bit of muscle. She was bowled all ends up 33 balls later, with 38 robust runs to her credit, having established herself as the crowd's favourite the moment she began to wield her bat.

She has more sparkle than skill. The glamorous West Indian next to me stood up in the sunshine and shook her mammoth ear-rings to celebrate every time Chamberlain hit the ball. I hope they were



Howzat: England wicketkeeper Jane Smit celebrates the dismissal of New Zealand's Debbie Hockley, run out by a direct hit from Jo Chamberlain

clip-on ear-rings.

New Zealand had one other problem. Their fielders, like England's, were fast and efficient over the ground, but unlike England's they dropped their catches. I saw New Zealand drop five reasonably easy catches, including one of Chamberlain's wilder pulls and a mis-hit by Hodges when she had only 28. England's Suzie Kitson, by contrast, removed opener Kirstie Bond with a truly sensational, airborne

catch in the gully.

Adhesive catching and mean bowling (Clare Taylor 12 overs, two for 27; Karen Smithies 12 overs, one for 14; Chamberlain 12 overs, three for 26) made England's total of 195 look increasingly inaccessible and the later stages of New Zealand's batting hopelessly frantic. They were all out for 128, England quick to clap them off and share a beer.

Much women's cricket in Britain is informal, small-scale

and, as it were, unestablished. All of it is resplendently amateur. Women held their first World Cup two years before men, in England in 1973, and are old hands at managing on a little. Among the patrons thanked by the Women's Cricket Association for help with this World Cup were many private individuals, sports associations as varied as MCC and Coptock Cricket Club, and a wide range of firms and unions.

But how could industry stand back when England's star players include a deputy manager at Coral Racing (captain and all-rounder Smithies), a sales support administrator with British Airways (opening bat and brilliant fielder Brittin); a bank clerk (No 3 bat, off-spinner and close fielder Hodges); and a van driver with Mann Egerton (fast medium bowler, last expert fielder and man (?) of the match Chamberlain)?

IF CITROEN fails to win Europe's prestigious Car of the Year competition with its Xantia, it ought to fly a banner over its head office in Paris saying: "We were robbed."

Picking a Car of the Year winner two months before the jury votes might seem as chancy as picking a Derby winner two months before the off. But, having driven the short-odds favourites like the Ford Mondeo, Vauxhall (Opel) Corsa and Mercedes-Benz C-Class, as well as the Xantia, I think it is a racing cert that the Citroen will win. It certainly should, although Car of the Year juries can be as unpredictable and perverse as those in courts of justice.

Why am I so sure? I suppose that because each time I drive the Xantia, I like it better. This is not so with all new cars. Some do not live up to favourable first impressions. The

left-hand drive 1.8 and two-litre Xantias I tried in Spain last February before the car's official debut rode and handled beautifully, looked elegant and had lots of room inside. But I thought the 1.8 sounded a bit buzzy at 80 mph (130 kmh) and 4,000 rpm.

The right-hand 1.8 I drove for nearly 500 miles (800 kms) in Britain last month was significantly quieter although I still have reservations about low gearing. Does one's motorway driving at business user speeds have to be at 4,000 rpm-plus (as it was, incidentally, in the admirable Ford Mondeo two-litre Ghia estate I have just used for an enjoyable week)? I don't think so.

The up-side of the low gearing is that it makes the Xantia



Citroen's Xantia turbo-diesel flagship - and Mondeo - extraordinarily flexible. Both accelerate smoothly in top gear from 25 mph (35 kmh). But it was driving the turbo-diesel version last week that removed any lingering doubts that the Xantia should become Car of the Year 1994.

power) 16-valve, two-litre petrol engine. So the Xantia TD has been given taller gearing (25.3 mph/40.7 kmh per 1,000 rpm in fifth) against just over 20 mph (32 kmh) for the petrol-engined models.

For a diesel, it is unnerveingly quiet; so quiet that you forget it is a diesel when on the move. Even when idling in traffic, the only reminder is a remote sort of chuckle from under the bonnet.

Figures show the TD outperforms the 1.6i petrol but not the 1.8i. But there is more to performance in the real world than brutally-obtained, standing start acceleration times and maximum speeds which are illegal and unusable.

It is the pulling power of the 1.9-litre turbo-diesel at modest

revolutions that makes it the most agreeably driveable Xantia of all. At 80 mph (130 kmh), it whispers along at a shade over 3,000 rpm compared with a petrol-engined Xantia's near-4,000. Yet, pick-up from 50-70 mph (80-128 kmh) is so strong that the Xantia TD accelerates in top gear up hills that would demand a downward change in many other cars of moderately high gearing.

The non-turbo Xantia diesel is less vigorous: 99 mph/159 kmh maximum against the turbo's 111 mph/179 kmh, and a standing-start kilometre in 38.2 seconds (34.4 secs). But it runs as smoothly and quietly and promises even better economy, averaging 44.6 mpg (6.33 l/100 km) against the turbo's 43 mpg (6.57 l/100 km).

For many buyers, the price will be the clincher. At £10,895, the 1.9D costs the same as the petrol entry model, the 1.6i, which makes it a bargain. The cheapest turbo-diesel, the Xantia TD LX, is £12,795.

Diesel car sales in Britain are rising. Last year, 200,000 were sold and, at the beginning

of this year, the industry estimated a rise to 225,000 in 1993. But this has been overtaken by events. Between January and the end of June, 141,974 (16.92 per cent of the market) diesel cars were registered compared with 87,276 (11.35 per cent) in the first six months of 1992. In this month's L-registration sales rush, mainly by private buyers, diesel's market share is expected to climb higher still.

Stuart Marshall

Xantia will drive off with the awards

GARDENING

Violas: many virtues, few vices

Robin Lane Fox is already planning next year's display of his most useful plants

IF YOU are lost in all the financial turmoil, try pansy futures instead.

They are not the new financial instrument of a progressive local authority; they are a way into the best additions to my gardening life. The best of them will flower for months, persist for ages and bring the range of soft colours which a garden of any size can accommodate. In spite of previous visits to this column, they still seem to elude gardeners who will go to any lengths to grow potted pansies and cultivate their own pansies. Perhaps they are fooled by the timetable of their best supplier. Hence, the need for pansy futures: the best violas have to be booked up to nine months in advance. I have just received the latest catalogue at a time when violas are needing one of their rare periods of attention. This weekend, pen and scissors are poised for action.

Alert visitors to Chelsea Flower Show will know already that the best violas come from Richard Cawthorne, of Lower Dalton Nursery, Swanley Village, Swanley, Kent BR87 2NU. Cawthorne does not receive visitors and only takes orders in advance. The new catalogue is available and you have until the end of October to send for your selections.

He will then take cuttings from the stock plants and invoice you early next year when he knows the numbers available. In April, he sends out excellent plants, well rooted in proper earth so that they grow away and flower prominently in their first season. There is no risk in ordering them unseen: all the plants begin in the same way, at the same date. You get what everyone else is getting, and the packing is admirable.

The best value is not necessarily the best-known. People seem to think pansies should be universal or one of those large-flowered forms, grown yearly from seed. Violas on the other hand, should be quaint or old-fashioned. Among violas, people go for green-black flowers on Molly Sanderson, the lavender-pink of Nellie Britten or the yellow and chocolate markings of Jackanapes, which Gertrude Jekyll named after her pet monkey.



Richard Cawthorne: a specialist grower of violas responsible for many of the best varieties

I began in the same way and cursed the results. None of these old varieties seems to last for more than two years, whereupon they flake out. The right course is to follow the Cawthorne catalogue, forget about curious colourings and build up a basic stock of the forms which he marks with a special symbol. He ought to know. He holds the National Collection and has bred dozens of varieties himself.

The line between a pansy and a viola is rather arbitrary on the margins of his long list. Where possible, he prefers the smaller-flowered forms which have greater vigour and less pansy blood. He has also expanded into the wild species forms, though not, as yet, into the desirable cana-

densis and the late-flowering strata, both of which were favourites of that fastidious expert, E A Bowles.

I have two favourite groups. The first are the various forms of Viola cornuta which extend from an excellent white to a good sky-blue. All of them are easy and are particularly welcome because their habit is to

trail, so that they can be trained among taller plants in a border. They grow well in slight shade or in the company of a mixed border, and so long as they are kept clipped and watered they will grow for anybody. In a lightly-shaded London garden, they remain my first choice at ground level, although few Londoners seem to display them. They are excellent at ground level in one of those typically square beds in a front garden which otherwise runs to straggly Tea roses.

Down a different line of family, we find the many-named varieties which include Cawthorne's own creations. My top six, after wide experiment, are Rebecca, Fiona, pure white Morwen, pale yellow Beshlie, silvery-lilac Maggie Stott and the amazing Inverurie Beauty. Other forms are as well-coloured but they lack the same stamina. Inverurie Beauty arose long ago in Scotland and it remains the most rewarding plant in my entire garden. It bears flowers on long stems from early spring until autumn if you leave it uncut.

In 1992, its violet flowers appeared with me for 11 months out of 12; they took two months' holiday and this year they have resumed their continuity since March. One plant will multiply with the greatest ease from any sort of cuttings or divisions in springtime. The Inverurie blood-line has been bred into other forms, one of which has been shown for the first time by Cawthorne at this year's Chelsea.

The point about these violas is that they flower madly and make the most obliging carpets of soft colour. I use them all over the place and find them reliable if I follow the Cawthorne rules.

This weekend, the most important comes into action. The plants are still in full flower but you must harden your heart and cut all their long stems right back to a central cluster, the base for future growth. People who lose their violas after one good flowering are omitting or mistiming this necessary job. If they are cut now, they make a nest of short young

stems which will then come easily through winter.

The second Cawthorne rule is to spray regularly against greenfly. Phostogen now produces an organic spray against greenfly which will satisfy green consciences and dissatisfy green insects. Cawthorne also recommends a spray with Benlate after planting in order to guard against the dreaded pansy sickness. The chances of catching it are slim and you should not conclude from all these rules that violas are in any way temperamental.

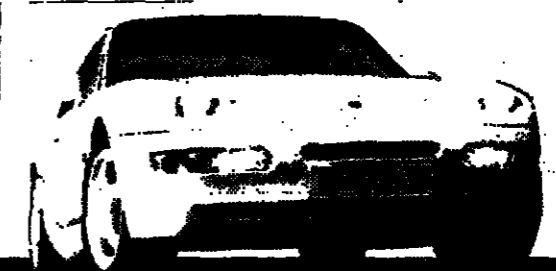
To prove it, I can look back on 12 years of happy life with them, counting my original plants of the cornuta varieties of which I have taken hundreds of cuttings. What they all like is a good feeding with a liquid fertiliser, applied through a hose throughout the early summer.

If they are fed and watered, they will also refute a widespread myth. Like so much else, violas are believed to be plants which need shade or a cool position in front of shrubs. What they really need is enough water. Often, the shade will be dry under trees or a wall and the taller shrubs will take away the moisture. Some of my best ones grow in light shade but others are as old and almost as happy in the open on stony soil. The enemy is drought, not sunshine. The same is true of violas which modern mythology also banishes into the shadows.

Violas have never been better grown than by the great French suppliers to the cut-flower trade at the turn of the century. The best of these suppliers insisted on the importance of hot sun to ripen the crowns and to induce the fullest flowering.

Violas do not have the same sort of crown as violets but they are equal kings in their family. People who fall with them forget to cut them or to keep up with the best varieties, many of which have just been bred for new vigour. Often, especially in early June, I look round my ever-expanding flowerbeds and wonder what is making the semblance of a good show. Again and again, the answer is a single big plant of a viola, the best value for civilised gardeners and one in which you can deal safely this month.

MOTORS



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BOOKS



One of the Brazilian photographer Sebastião Salgado's magnificent pictures in 'Workers: An Archaeology of the Industrial Age' published by Phaidon, £79.95

Did hunting make us human?

Michael Thompson-Noel finds a lot to grouse about

I HATE hunting and huntsmen. At least I think I do. Certainly I hate violence. And the thought of killing things - foxes, game-birds, polar bears, people - makes me glow with fury. I believe that huntsmen are primitives: viciously non-intelligent throw-backs to the time when our ancestors first came down from the trees. I believe them to be prisoners of the same gorilla malfunctioning maleness that leads to wars and death camps. If you ask me, they have grievous sexual hang-ups. I would like to stamp on their faces, shoot them, poison them, spear them and boil them up.

On the other hand, I am in the grip of the notion that humans are only animals: that we are only chimpanzees and that we have a long way to go, evolutionarily speaking, before our achievements and our traits signify any real divergence from the rest of the animal kingdom. It follows, from this, that although I hate

huntsmen - would like to stab and gas them - I somehow absolve them: they are prisoners of their genes.

Confusing? Then you ought to read this excellent book, to discover just how confusing the subject of hunting and human nature really is.

Matt Cartmill is a professor in the department of biological anthropology and anatomy at Duke University in the US, and his book a brilliantly well-realised study of the connections that have been drawn between hunting and being human. As he states at the outset: "It deals above all with the hunting hypothesis of human origins, which is the story of how some apes became human when they took up weapons and began to kill. The killer-ape story has roots in older tales, and so this book is in part a literary history. But it is also a book about science, because scientists have been the chief tellers of that story." The professor starts his story near its end, by tracing the rise

and ascendancy of the hunting hypothesis - our notion of *homo sapiens* as lunatic killer apes - in anthropological thought after the end of the second world war. The hypothesis collapsed during the 1970s, and Cartmill asks why such a flimsy story, with such unpal-

A VIEW TO A DEATH IN THE MORNING
by Matt Cartmill
Harvard £23.95, 331 pages

atable implications, was accepted for so long. "What do we get out of seeing ourselves as sick, disordered animals - and why should anyone think that the origins of our sickness are somehow tied to hunting?"

His arguments - and answers - cover Greek myth and literature; the impact of Christian revisionism; the emergence, in the Renaissance, of the view of the hunt as symbol of tyranny and object of moral indignation; the link,

from the 17th century, between the growth of anti-hunting sentiment and the growth of science; the blurring of boundaries between people and beasts; the Romantic reaction against science; the Darwinian view of nature as - in fact - a struggle for existence (cited as a justification for hunting); and the "Bambi syndrome" - fear of war mingled with Romantic reverence for nature and Freudian pessimism about man.

At the end, the good professor expresses doubts about the meaning and reality of the distinctions we draw between artifice and nature, and between people and animals.

Was hunting really an important factor in human origins? The author says it is a safe bet that hunting assumed an increased importance during the course of our evolution from our chimpanzee-like ancestors. But he says there is nothing to imply that hunting made us human.

On the other hand: "Even if

hunting does not have the causal importance that anthropologists once attributed to it, it may still be linked to some essential human trait, some fundamental disorder or sickness that makes the human condition peculiarly tragic or dangerous. If so, we ought not to disregard the myth of the killer ape."

Professor Shipman is justifiably regarded as an extremely important evolutionary essayist - one whose hallmarks are erudition, stylishness, wit and piercing humanity. He really is a good chimpanzee.

In five days' time, members of the numskull upper English and Scottish class, their grubby clients in tow, will be poncing across the moorland and cocking their firearms for the "Glorious Twelfth" - the start of the grouse-shooting season. The experience will cost them a fortune. For a fraction of the cost, they could buy this book and start to get an education. But I don't suppose they will.

Late-Victorian literati

Anthony Curtis on the fin de siècle poets who gathered at the Cheshire Cheese

PURITANS first began to give their children "virtue" names - Faith, Hope, Charity - in Elizabethan England. For boys the virtue name that came into favour as appropriate to the Empire-building Victorian male in the last quarter of the 19th century was Ernest - an English form of the German Ernst, "earnestness, vigour". Apart from Wilde's pair of Ernests, revealing the precise opposite of these attributes, there were two notable Ernests in real life among the literati.

Ernest Rhys and Ernest Dowson were both members of The Rhymers' Club, *fin de siècle* poets who met periodically at the Cheshire Cheese in Fleet Street to recite their verses while quaffing ale. These meetings and the anthologies the Rhymers published are rescued from oblivion in this informative book on literary movements in London at the end of the Victorian period by the American scholar Karl Beckson, professor of English at Brooklyn College.

The name quite suited Rhys, to whom we owe that earnest publishing venture, Everyman's Library; it still survives and last year celebrated its 100th anniversary with many new volumes. Ernest did not work quite so well as a name for Dowson. His claim to posthumous fame is that he wrote "Cynara" - a poem that recalls his debauched experiences with a prostitute ("I have forgot much Cynara... Plunged roses, riotously with the throng; Dancing to put thy pale lost lilies out of mind..."). But we remain indebted to him too. His poem provided Margaret Mitchell with the title for her novel *Gone With The Wind*, and its line "I have been faithful to thee, Cynara, in my fashion..." gave Cole Porter the refrain for one of his best numbers in *Miss Marmelade*.

Dowson's sentiments epitomise not earnestness but decadence, one of the chief moods and modes of the period. Decadence was a devastating hurricane that blew across the Channel from France. If there were some Franco-sceptics among the men of letters of the 1890s who resisted it, most of

them were committed to a common literary currency with their Gallic counterparts. They aspired to that "disregulation of all the senses" advocated by the likes of Verlaine, Rimbaud, Baudelaire. Beckson documents the progress of decadence as a reaction against industrialism and materialism; it gave rise to movements like aestheticism and symbolism, the precursors of Modernism. The development of Yeats, a leading member of the Rhymers' Club, sums this up.

Oscar Wilde was not a member of the Rhymers' Club but he was a charter member of a closely associated society started by Yeats, the South-

LONDON IN THE 1890s: A CULTURAL HISTORY
by Karl Beckson
W W Norton £19.95, 455 pages

wark Irish Literary Club, some of whose meetings were hosted in the Cheshire Cheese by the Rhymers. Wilde delivered the death blow to Ernest as a virtue-name in his comedy, *Salome*. Beckson suggests, there was in the title a pun within a pun. Ernest is a play on a more esoteric term - Uranist - coined at this period by a German lawyer, Karl Heinrich Ulrichs, a homosexual who wrote books proving that homosexuality was congenital, hence natural.

Wilde described his love of boys as Uranian. When, for instance, after prison he went to live with Bosie in Naples, he justified himself in a letter of 1893 to Robbie Ross like this: "It is very unfair of people being horrid to me about Bosie and Naples. A patriot put in prison for loving his country loves his country, and a poet in prison for loving boys loves boys. To have altered my life would have been to have admitted that Uranian love is ignoble. I hold it to be more noble than other forms."

Wilde was not the only gay poet to make a pun on Ernest and Uranist. In 1892 there appeared a volume of poems *Love in Earnest* by John Gumbrell Nicholson containing a sequence of 50 love-sonnets addressed to a 14-year-old boy. In *The Importance of Being Earnest*, the joke is kept strictly under wraps,

but occasionally it peeps out as when in Act II Gwendolen tells Cecily: "The home seems to me to be the proper sphere for a man. And certainly once a man begins to neglect his domestic duties he becomes painfully effeminate does he not? And I don't like that. It makes men so very attractive."

Beckson is a bloodhound who sniffs out gay innuendo in the most unlikely parts of the text. Jack Worthing tells Lady Bracknell that his house in Belgrave Square is let to Lady Bloxham. Beckson points out that Bosie had a young friend up at Oxford, John Francis Bloxham, who edited a Uranian magazine *The Chameleon* to which Wilde contributed a series of "Phases and Philosophies for the Use of the Young" and to which Bloxham, under the pseudonym X, contributed a story about a pederastic Roman Catholic priest and his altar-boys.

The magazine did not survive its first issue. It may give point to Lady Bracknell's observation that Lady Bloxham's advanced age "was no guarantee of respectability". Beckson deals with many ephemeral anthologies of this kind as well as those well-known ones, *The Yellow Book* and *The Savoy*, embellished with Beardsley's decadent homoerotic illustrations.

There was bound to be a backlash and it came not just with Wilde's downfall but with the publication in 1896 in translation from the German of Max Nordau's study *Degeneration*. Nordau equated decadence with degeneration, seeing them both as a kind of criminality inherent in certain types and races - and we all know what that unfortunate theory led to. The book's sentiments were echoed by anti-decadents like the poet W.E. Henley, an influential editor and friend of R.L. Stevenson.

Then Shaw instigated a backlash against the backlash in his essay "A Degenerate's View of Nordau", later published in a revised form as *The Sunday of Art*. What is remarkable about Beckson's study - apart from its wealth of learning - is its revelation of how many of the crucial concerns of art and literature in our own period originated in the 1890s.

A lifetime pursuit of the Nazis

ALTHOUGH Simon Wiesenthal, the most vigorous pursuer of Nazi murderers, has published memoirs, this claims to be the first critical study of his life and work. While much of it - the capture of Adolf Eichmann in Buenos Aires in May 1960, the abortive hunt for Josef Mengele, the tangled mess of Kurt Waldheim - is familiar territory, it has fresh strengths, not least the interlarding of interviews with and reflections by Wiesenthal.

Levy writes with gentle respect and historical authority, whether dealing with the appalling brutalities suffered by Jews, Gypsies, Poles, and all the other "sub-humans" subjected to Nazi violence, or the more recent fratricidal conflicts within the leadership of the Jewish diaspora.

The latter is a rather more challenging task, since the actors and the issues which divide them are mostly still alive. Levy's careful delineation of the guerrilla war between Wiesenthal and the World Jewish Congress is naturally crammed with ironies. It is a thorny conflict which has detracted from their central task, that of combatting anti-Semitism.

Eichmann and the rest played Jew against Jew; it is almost incomprehensible that, despite the absence of the paraphernalia of National Socialist power, Jewish communities nevertheless manage to squabble bitterly amongst themselves. It is shameful to all the key participants. Wiesenthal

THE WIESENTHAL FILE
by Alan Levy
Constable £18.95, 463 pages

included: courageously, Levy exonerates no-one.

But despite the petty rivalries over who did or did not get a Nobel peace prize - the pugnacious Wiesenthal did not, the more diplomatic Elie Wiesenthal did - Wiesenthal's story is compulsive reading.

He survived four years in different concentration camps, enduring beatings and starvation. Once he was pulled out of a line of prisoners awaiting bullets to the head; the next was for him. Almost his first experience after being liberated by the US army was to be beaten up once again - this time by a Polish future deputy minister of culture. All his

family - 89 people - died in the war, and he lost touch with his young wife early on. Yet she too survived, and through a miracle they were reunited in the refugee chaos of 1945.

It would be unfair to criticise this book for failing to consider the lingering riddle of what conjunction of events created the climate that allowed the Nazis to conduct genocide. Yet that riddle is still at the heart of this subject.

Living in Poland in the 1930s (Wiesenthal was born in Galicia), I often tried, and always failed, to learn why the nation most scarred by the Holocaust - and, apart from the former USSR, the most dubious in its post-war treatment of its Jewish communities - was still so permeated by anti-Semitism, a feature which of course was denied at every opportunity, both officially and otherwise.

I once quizzed an ethnically Jewish but by religion Roman Catholic Polish friend. Why did Poles still hate Jews so much? Wearily, his shoulders and said, "Why not?" It was, he implied, absurd to seek rational answers in an irrational context.

But the question needs to be put, endlessly. It cannot be dis-



Simon Wiesenthal: his story is compulsive reading

pelled, even by embarrassment, tempting though that is. ("Boy, they sure were big on crematoriums, weren't they?" said George Bush during a visit to Auschwitz as US vice president in 1987.) Nor can it be evaded, as Eichmann attempted in his notorious (and possibly apocryphal) comment: "A hundred dead people is a catastrophe. Six million

dead is a statistic." Wiesenthal has lived a requiem. He has always denied that he was motivated by hatred, claiming only to have sought justice. This year he will be 86. He can have no finer interpreter and sympathiser than Alan Levy, who has dealt justly with him.

Gary Mead

An insecure minority

A MEMBER of a young generation of British Jews, Richard Bolchover is harshly critical of the Anglo-Jewish community and its response to the Holocaust, arraigning in particular its leaders for what he perceives as their pusillanimity, self-indulgent preoccupation with petty communal and personal conflict, and their "phobia about anti-Semitism - a neurosis which at times verged on self-hatred".

Disregarding a substantial record of Jewish interventions, some quite public and many behind the scenes, he argues that the Jewish community, less than one per cent of the total population of the UK, was throughout the Hitler era ineffectual and timid in its representations to the British government, paralysed between the "politics of hope" and the "politics of fear", unable to mobilise any rescue efforts of its own, or to exert effective pressure to help European Jewry. This was because of its failure to comprehend the disaster unfolding on the Continent, and above all because it was shackled by the values of an insecure minority concerned at all costs to avoid being perceived as different from the non-Jewish majority, except in matters of religious observance.

For the author, only such non-conformists as Rabbi Solomon Schonfeld and the Zionist Revisionist fraction reacted appropriately to the emergency, campaigning loudly for concrete rescue work and the recruitment of a Jewish fighting force efforts which were largely ignored or disavowed by the official Jewish leadership, and in the event also bore little fruit.

Bolchover's argument, which he concedes is made from hindsight, is based almost entirely

BRITISH JEWRY AND THE HOLOCAUST
by Richard Bolchover
Cambridge £22.95, 208 pages

on Jewish community sources, especially the Jewish press, and as such is fatally flawed: the Jewish community's response to the Holocaust, its fear of anti-Semitism, cannot be appropriately assessed without some reflection on the surrounding reality.

One would never know from this study that there was, in fact, significant anti-Semitism in wartime Britain, increasing in intensity as the war ground on and Jewish terrorism in Palestine began to take its toll of British military and civilian personnel, or that the German Jewish refugees, highly visible

in a much more homogeneous and insular Britain than Bolchover would recognise, were likely to be targets for residual anti-German xenophobia from the first World War as well as anti-Semitic feeling.

Consulting private papers, or indeed surviving individuals, might have enabled the author to produce a more useful work, that in addition to baring the unedifying record of communal strife and business-as-usual could have reported what the community managed to accomplish in helping to succour at least some of their fellow-Jews. The British Jewish community lived and worked, hoped and feared, in a context: but there is no discussion of that context.

In a notably condescending conclusion, Bolchover alleges that British Jews "had neither collective self-esteem nor a sense of being in control of their own lives", with the result that they were averse to taking risks and incapable of self-assertion in facing the Holocaust. Such a breathtaking charge, with its insipid echoes of pop psychology, is simply unimproved by the preceding argument, and does nothing to advance our understanding of those who had to live and act in a time of tragically limited options.

A.J. Sherman

It always takes two to blaspheme

IF I impugn your God or gods, in your view I blaspheme. So if an alien comes to a Christian country and tells its devout citizens that their belief in virgin birth, miracles, resurrection and so forth, is codswallop, and that they should instead bow down before the horned toad as the true incarnation of deity, that alien would be branded a blasphemer. The alien, of course, would retort the charge on his accusers' heads. And so it would go on, until either he or they were reduced to cinders at some convenient stake.

David Lawton begins his study of blasphemy with the claim, surely right, that it is not possible to give a straightforward definition of blasphemy. Blasphemy comes into existence when someone gives a special kind of offence to someone else, the

offence typically consisting in a perceived insult to something cherished as divine. But it depends on cases; and it always takes two - a giver and a receiver of offence - to make blasphemy possible.

It was the Rushdie furore which prompted Lawton to write this book, but although he devotes a chapter to that tragic affair it is not his main topic. Rather, he offers a history of the concept of blasphemy in the Western world, aiming to illuminate its complexity so that we can better understand the painful conflicts it generates. And he also addresses the practical question whether our own blasphemy laws should be extended to cover other

religions, or abolished altogether.

We gain insights into the concept of blasphemy by looking at examples of its application. Lawton lavishly supplies us with fascinating and entertaining case histories, three of them given at length in the opening chapter. One concerns Susannah Fowles, a 17th-century woman fined and pilloried because, as anonymous accusers alleged, she "blasphemed Jesus Christ and cursed the Lord's Prayer". To us she seems merely a frightened girl harassed by stupid people.

Another case concerns the poet Charles Sedley, who drunkenly stripped naked and preached a blasphemous anti-sermon from an ale-

house balcony. He was fined £200, a vast sum for 1693. The third is the story of the Italian miller Menocchio, brilliantly told in Carlo Ginzburg's classic *The Cheese and The Worms*.

BLASPHEMY
by David Lawton
Harvester Wheatsheaf, 242 pages

Worms and repeated here by Lawton. Menocchio perished at the stake in 1600 for denying the virginity of Mary and the divinity of Jesus. Menocchio had his own theology, which Ginzburg painstakingly reconstructs, but because it

was not the theology of the Inquisition, Menocchio burned.

These cases show, Lawton argues, that blasphemy "exists as an interchange". It is the product of a conflict between perceptions. On this basis he explores the diffusion of thought about blasphemy in early, medieval and Reformation Christianity to see how the concept developed, citing a wealth of further cases in illustration.

In the second half of the book Lawton turns to recent concerns. On the legal question he concludes, in my view rightly, that blasphemy laws should be abolished. From the examples he cites it emerges clearly that these laws, like those relating

to obscenity and censorship, are simply instruments for controlling ideas. He therefore argues against them, asserting that blasphemy is "healthy" because it is a sign of free speech and because it demonstrates the maturing of an intellectual community from one level of belief and practice to another.

It would be a mistake, Lawton warns us, to think that controversies over blasphemy are on the whole dying out. It is a Freudian idea that religion, like perversion, is a pre-cultural phenomenon, belonging to the infancy of mankind. But although Freud opposed religion as a sinister force that must be defeated - Lawton characterises

Freud as a "master blasphemer" in this sense - the threat of conflict always lurks. And this indeed is shown in what Lawton describes as a rehearsal for the Gulf War: the Rushdie affair, representing the very clash of perceptions and responses from which blasphemy controversies arise.

Blasphemy is a destructive idea, a dangerous, subjective catch-all used by superstitiously besotted people to deny others their liberty of thought. The world would be a better place if the notion were purged from it. Given the richness and value of the case studies and the strong arguments Lawton offers, his book should be required reading, although it is a pity that it is written in literary critical jargon of a kind to set one's teeth on edge.

A.C. Grayling

ARTS/BOOKS

Coriolanus
thrills
Salzburg

THE NEW regime at the Salzburg Festival, which took over at the start of the decade, initiated changes affecting the style, presentation and – most important – content of the operatic and musical offerings that are as yet by no means absorbed all through. Bad-mouthing of the new administration flourishes, intrigues simmer, the old guard continue to pray for the miracle that will remove Gerard Mortier and resurrect Herbert von Karajan (or at the very least a Karajan epigone).

On the other hand, Mortier's revitalisation of the festival's dramatic component (importantly experimental under Max Reinhardt in the 1920s and '30s, increasingly marginalised since) is already a *fait accompli*, and one which is bearing rich fruit – in the Guardian the other day Michael Billington proclaimed Salzburg as "now Europe's major theatre festival".

Peter Stein, drama overseer, set the tone with his *Julius Caesar* production (new last year, revived this coming week) that simultaneously launched a year-by-year examination of Shakespeare's Roman dramas, and reclaimed the Rocky Riding School as the most inspiring of theatrical spaces. He has also found place for worthwhile new plays, this year Botho Strauss's *Equilibrium*, widely acclaimed, and boldly risk-taking ventures (this year Peter Sellars staging of Aeschylus's *The Persians* on the Parnassus near Ballen).

There is a buzz to the schedule of readings and related events – and, indeed, a buzz to

the whole theatre programme that contrasts sharply with the still-to-be-clinched air of the musical. As my business was primarily the latter, I could judge the former mainly from the sidelines; but my single venture into drama-critics' territory, with the new *Coriolanus*, afforded so thrillingly large-scaled an experience as almost to confirm in itself everything that is being said about theatrical re-birth in the new Salzburg order.

Deborah Warner, making her European debut, takes to the spaces of the Rocky Riding School – with its vast, rough-hewn stage, colonnaded back wall and sliding roof that can open to the skies, all carved out of the Mönchsberg – as though it were her native habitat. This is a cast of hundreds, *Coriolanus*, and its structure of entrances, exits and formations is founded with spectacular virtuosity.

Mighty phalanxes of Romans and Volscians do battle, march, assemble and at particularly stirring moments race along the heights with flaming torches. The pit, where on my last visit James Levine and the Vienna Phil were quartered for *Die Zauberflöte*, plays home for a while to live horses before they canter out to battle at Coriolanus. The sheer physicality of this *Coriolanus* is at once exuberant, startling and disciplined.

It always is in a Warner show, whether it be her *Elektra* at the Riverside, *Wozzeck* for Opera North or now this brilliant imagining of a harsh, violence-riven landscape (given added poetic harshness by the rusty-red textures of Hildegard



Bruno Ganz in the title role in Deborah Warner's tremendous production, performed in the Rocky Riding School

Bechtler's screen-additions) against which this most complete of Shakespearean analyses of the nature of human society and government can be fleshed out. The physical force of the production – wrested from the play out of Warner's twinned response to the text and the chosen auditorium, lacking every element of spurious show – is matched by the lean style of acting, which can yet find place for the remarkable eccentricity covering a deep, pained humanity, or the darkly fiery Aufdriss of Daniel Friedrich (who, in a moment of horrifying verisimilitude, in the midst of his defeat-enraged first-act furies), the ensemble shows itself to possess

a unified impulse in countless ways. Maria Wimmer's Volturnia, in her mid-80s, suggests, in a brief, arresting moment of caress, that the bond with her son, in his mid-50s, remains troubled, close-knit and deep.

The disciplined vastness of the production gives all opposing sides opinions their due: the experience becomes correspondingly more complex, searing, universal. Without a doubt this tremendous *Coriolanus* was the high point of my five-day stint.

Max Loppert

Final performance at the Salzburg Felsenreitschule tonight

Off the Wall/Antony Thorncroft
Behind the Fringe

NEXT WEEKEND thousands of wannabes will be arriving in Edinburgh for the biggest annual audition in the arts world. The Edinburgh Fringe, which in size, audience and innovative achievement now surpasses the Edinburgh Festival, is the one place where you can still go on stage a kid and come off a star.

The precedents are most encouraging. In pre-history there was the Beyond the Fringe crew (who were actually appearing at the Festival); in living memory there is Rowan Atkinson; and every subsequent year there have been young entertainers who have turned up as unknowns and left with a TV contract in their jeans' pocket. Last year it was Bruce Morton; the year before Frank Skinner.

There are many complaints about the Fringe – that it has become a business; that it is dominated every year by the same group of stand-up comedians; that the best venues are stitched up well in advance – but every year the entertainment industry moves there en masse. In 1993 there will be a record 571 companies presenting over 1,200 shows, and that excludes the students, street artists, acrobats and drifters who flock to Edinburgh in August, just in case.

But the very success of the Fringe is producing change. The money men are moving in. This year the three leading venues, the Assembly Rooms, the Pleasance and the Gilded Balloon, which between them control 17 performing outlets and claim half the Fringe audience of 600,000, are pooling their marketing. This loose merger has been greased by Stella Artola, which is giving over £100,000 towards a Comedy Festival embracing the venues.

An indication of the new commercial spirit is that the acts on the bill do not attract a fixed amount of TV coverage, with the inevitable plugs for the lager. Stella Artola can withhold some of its investment. Two other medium-sized venues, Hill Street and Old St Pauls, are also joining forces on promotion.

Bill Burdett-Coutts, who runs the Assembly Rooms, justifies this approach with the

economic facts of life. His three-week residency at the Rooms turns over almost £1m but profits rarely top £5,000, and some years there is a loss. Karen Koren at the Gilded Balloon has suffered severe deficits, especially in her attempts to keep open throughout the year. Only by attracting outside money and co-ordinating the publicity can the venues guarantee their future, and ensure that a wide range of performers, theatrical groups as well as the cheap stand-up comedians, feature in the programme. This year actors from Georgia and the Ukraine are at the Assembly Rooms because Burdett-Coutts can afford to take more risks. The venues want to develop a productions fund to ensure that the Fringe does not become, as many fear, just a comedy festival.

But there is concern that the three powerful venues, presenting performances all day, will draw audiences away from public view. In all around 8,100 objects enjoy this status. The joke is, of course, that the public never gets to see them.

Before the scandal broke in 1992 perhaps one or two people a year asked to see the list, kept at the V&A. The number of enquiries has scarcely increased. How many asked an owner whether they could come and view the object no one knows. This seems a poor return in terms of public aesthetic pleasure for the £1b which the nation has lost in tax during the past decade through this loophole.

Of course few object to exemption for the Duke of Sutherland's pictures, on permanent view in the National Gallery of Scotland, or the collection at Chatsworth, or in the many noble houses open to the public. But the 3,185 pictures, the 1,188 items of furniture, the 912 pieces of European ceramics and glass included on the now computerised list and not regularly available for inspection, should be exposed to searching public gaze.

Museum directors should examine the list to see if it includes objects that would grace their collections through short-term loan, and the Inland Revenue must continue with its hesitant policy of shedding some light, through a quarterly progress report, or what is little more than a tax dodge.

This runs counter to the view of the Council's boss, Anthony Everett, who wants to create priorities, but it gives the Council a chance to get off

the hook. The panel is also asking the Council to rescind the basic decision to cut the theatre grant. The general drift is to wait and see the size of the total Arts Council budget after the Chancellor's November statement.

The Heritage Minister Peter Brooke has made it clear that he opposes the decision to hit the theatres, and this week gave £175,000 in restoration grants to the Belgrade, Coventry, which is reported to be on the list. Since Brooke decides the size of the Council's grant he is well placed to discreetly get his way – and make a nonsense of the arm's length principle.

In the last three months 84 works of art, including a Tompion clock and a Sisley landscape, have been added to the list of works of art which are conditionally exempt from inheritance tax because they are, in theory, available for public view. In all around 8,100 objects enjoy this status. The joke is, of course, that the public never gets to see them.

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Video/Clement Crisp
Time to dance

WATCHING ballet on video is increasingly attractive as theatre tickets take to the price stratosphere, and repertoires and castings become duller by the week. A look at the ballets and dancers on offer 20 years ago can provide a sad comparison with the lack of directorial imagination and the mid-level talents that best dance today. Ballet is now beleaguered. There is a dearth of new, vital classic choreography. How few are the starry names that can set the groundlings in a roar.

The current and latest seasons by the Royal Ballet and English National Ballet are depressing in their lack of verve, their absence of authentic ballerina performance. Until companies can lure audiences back with ballets and artists worth the blood-chilling price of tickets, then dance-videos are the best thing.

There is little new on the video market in ballet, though the many admirers of Sir Kenneth MacMillan's *Water Dreams* should watch for a forthcoming recording from Warner Video with the original Royal Ballet cast headed by Irek Mukhammedov and Dorey Russell. I give details herewith of available recordings which have more than passing interest.

From Castle Communication Videos come three historic reissues. For sheer joy, and as a reminder of a company we see all too rarely, let me recommend the Royal Danish Ballet's joyous *Napoli*

(CVI 2056). Not to know this enchanting piece is to be poor. To see it given with the gaiety of spirit and buoyancy of step that the Danes bring to this ancient treasure (they have danced it unthinkingly for 150 years) is to have life permanently enriched. There is grand cast, led by Linda Hindberg and Arne Villumsen; the mime roles are done with the proper Danish sensitivity and good humour. The sun shines. Preben Mønstad directs with real affection for this dearest of ballets.

For a glimpse of New York City Ballet – who will visit Europe, but not Britain, next year – there is the marvel of Balanchine's *Davidsonbuntlerantz* (CVI 2058), with its original cast. This late, elegiac masterpiece takes Schumann's piano score as mirror of the composer's life. It says everything about Balanchine as a romantic, and it is sublimely danced, with interpretations by Suzanne Farrell and Karin von Aroldingen that stop the heart. There is ideal direction by Merrill Brockway. And as a reminder of the Bolshoi Ballet as it was during the summer of 1986, shillingly under canvas in Battersea Park, there is *The Bolshoi Live: Diver-*

tissements (CVI 2052). We see a luminous *Sylphides* led by Bessmertnova, Semenyakina, Semizorova, Alexey Fadeychev – now there's a cast – and the second act of *Spartacus* with Mukhammedov glorious at the head of roaring lines of slaves. A final *du de joie* brings all the company's then stars – and stars they tremendously were – to dazzle us in bravura numbers, including the ecstatic catch-as-catch-can of *Spring Waters*. (During that season I heard one member of the audience call it *Strong Waters*. The truth will out.) John Vernon's sure direction preserves the excitement of those very happy evenings.

From Warner Video come two more recent videos of major productions. MacMillan's *Prince of the Pagodas* is happily secure in a fine recording by Derek Bailey. It offers the original cast (save for Simon Rice, who is excellent as The Fool), and allows us to enjoy (which Covent Garden does not) MacMillan's homage to Peking, led by Dorey Russell, Fiona Chadwick, Jonathan Cope. Performances are uniformly excellent. Watching it, we are made even more poignantly aware of how

much our national ballet has lost with MacMillan's death. As a postlude to the performance, we are shown Derek Bailey's sympathetic documentary about the choreographer – *Out of Line* – in which Sir Kenneth spoke so powerfully about his work.

The *Nureyev* has been given more, and more curious, productions than any other ballet I know. Rudolf Nureyev first staged it in 1957; thereafter he reworked it, and his last version was made for the Paris Opéra Ballet. This was recorded in 1985, with Nureyev directing the film. The result is a mixed blessing. Performances are, as always with the Paris Opéra, admirable: Elizabeth Maurin can look convincingly child-like as Clara, but dances with absolute authority and great charm; Laurent Hilaire, as Drosselmeyer/Prince – that's Nureyev for you – is elegant in manner and in bravura. An incidental pleasure is the brilliance of Bruno Cahupe in the Mirlitons diversissement. But the choreography is, characteristically, something of a fidget, and the lighting has too many dreary, 40 watt moments, which give the staging a sombre and un-festive air. A valuable view, nonetheless, of the company and of Nureyev's classic ideals.

Dance videos are listed every month in *The Dancing Times*, 45-47 Clerkenwell Green, London EC1 R 0BB. Tel: 071-250-3006

Millionaires in Monte

Miraculously, dealers are reporting sales at Monte Carlo's tenth Biennale des Antiquaires, held in Monaco's International Sporting Club until August 15. Inaugurated by Prince Rainier, Prince Albert and a crush of very sumptuous Riviera socialites this year's event is the biggest ever with 30 dealers, seven from outside France, who have brought the very best of the international trade to offer.

Flemish painting specialist Monica Kruch from Paris is showing several outstanding works – the first flower painting by Jan Bruegel the elder to have come on to the market

in many years, a mystically luminous "Road to Emmaus" by Paul Brill and "Solomon and the Queen of Sheba" by Frans Francken, colouring.

Mario Bellini from Florence, a friend of the late Paul Getty, is showing Italian primitives alongside his personal collection of 16th century Italian animal bronzes and a curiously elongated Venus by 15th century artist Paolo Schiavo.

Giovanni Sartori from London also has Italian primitives at around £50,000 including a stark crucifixion by the 15th century Bolognese artist Pietro di Giovanni Liadori, and three rare grisaille panels of sea monsters by a

contemporary of Mantegna's.

Michael Goethals from London, at Monte Carlo for the first time, is showing ancient Chinese bronzes including two particularly fine wine containers – a second century BC Han period, and a 3rd to 4th century BC Fang Hu model.

Resident Monaco dealers Ribolzi boast a pair of solid gold Puffinor dinner plates for £250,000 and smaller objects such as a splendid rare lion aquamanile from northern Germany circa 1200 and a late 18th century inkstand made in the royal porcelain factory of Naples.

Nicholas Powell

Fiction/Andrew Clements

A picaresque romp

THE Pulitzer Prize jury got it right with Higueros's last novel, *The Mambo Kings Sing Songs of Love*, appeared in 1988 and established itself as one of the most thoroughly enjoyable and most skillful fictions of recent years. Its exuberant romp through the life of an irrepressible musician was as much celebration as invention: the New York world created by Higueros trembled on the edge of fantasy, yet the magical elements were held in check by the punctilious attention to detail and the richly lyrical force that ran through the Mambo King's life and music.

The Fourteen Sisters of Emilio Montez O'Brien is obviously

THE FOURTEEN SISTERS OF EMILIO MONTEZ O'BRIEN by Oscar Higueros

Hamish Hamilton £15.99, 484 pages

the product of the same generous imagination. The prose is always potent and alive, ever alert to the physical image, the earthy description. To the Cuban-American background of *Mambo Kings* is now added a dash of Irish blood: the 14 sisters and their single brother are the progeny of an Irish father, Nelson O'Brien of Cobbleton, Pennsylvania, photographer and owner of the Jewel Box Movie Theater, and Cuban immigrant mother Mariela Montez. The unstoppable stream of daughters creates its own diaspora: the eldest Margarita makes a loveless but sexually demanding marriage, Carmen and Marta sell tickets at Disneyland, Violeta marries a Presbyterian minister, Gloria works in Macy's; all of them continue to dote upon their baby brother Emilio.

Though always vivid and engaging, the scheme is more ambitious but finally not as convincing as *Mambo Kings*. It lacks the central thrust, the single larger-than-life character whose exploits can consistently thrill and repel the reader in equal measure; it is much more picaresque, yet less

consistently entertaining. There is no single ecstatically dangerous world to explore, just a snapshot sequence of more than a dozen very different lives, some of them mundane, others glossy, glamorous.

The strands of *Fourteen Sisters* are bound together by the family background; Higueros weaves his narrative texture out of that bundle of parallel lifelines, sometimes making them converge, elsewhere allowing to plunge off in solitary splendour. Emilio finds his way to 1950s Hollywood and carves out a career as a B-movie star, until his penchant for teenage girls catches up with him. What always anchors him to his home back East is his sisters, and their teasing mixture of familial love and incestuous desire.

Emilio's story occupies a good third of the story – the perspective is consistently a male one, the close descriptions of his sisters and each woman he meets lubriciously exact. He is not, though, the book's hero. If there is one, it is surely Margarita, whose old age provides a moving coda as effective and resonant as anything in the closing pages of *Mambo Kings*. Higueros's knack of balancing sentiment and truthful emotion, voyeurism and hard-edged description gives his fiction its tang; he is a strong, striking voice, even if this is not his best book.

THIS SUMMER has brought forth the usual crop of hardy annuals in the thriller field. Tom Clancy, for instance, has produced *Without Remorse* (HarperCollins £15.99, 688pp). This time, an extraordinarily complex plot to do with personal dramas of mercy is juxtaposed with a scheme by the Pentagon to rescue prisoners from a North Vietnamese prisoner-of-war camp. Clancy can sustain a plot, however Byzantine, and this time, although long, does not sag.

Jack Higgins's new book, *Thunder Point* (Michael Joseph, £14.99, 309pp), borders on the unacceptably implausible. It is very well-worked territory – Martin Bormann's escape to South America at the end of the second world war. This is apparently Higgins's 52nd novel and the whickers are beginning to show. But for aficionados, it is the usual racy mixture.

Two other long-familiar spy writers also have new offerings. Brian Freemantle has written *Charlie's* (Century £15.99, 436pp) and Ted Alibury *The Line-Crosser* (New English Library £15.99, 278 pp).

For a moment, in reading Brian Freemantle's book, I thought he was about to kill off Charlie Muffin, his working-class at odds with the establishment hero. I always found Charlie a poor clone of Len Deighton's Harry Palmer. But no such luck. The apprentice of the title, personally trained by Charlie, falls down on the job of trying

Thrillers/Stewart Dalby
The plots thicken in cold war thaw

to extract a British Agent from Beijing, and our hero has to swing back into action, much to the dismay of his superiors who thought they had got rid of him. Very much the mixture as before. It rumbles along pleasantly enough.

Like Ted Alibury, Freemantle is good on the detail of the intelligence world: Alibury is the more solemn of the two. The ending of the cold war means the intelligence world is changing. Both Freemantle's and Alibury's books tackle the new situation in the former Soviet Union and its erstwhile satellites. Several newish writers have set books in the decline of the Communist Party, the army and the KGB offers fertile ground for adventure stories. The independent republics' rivalry with Russia and the dominance of mafia-style gangs should also provide give plenty of material.

Nik Gowing's *The Loop* (Hutchinson £14.99, 312pp) is concerned with an Uzbek gang leader attempting to get control of Russia's dwindling supply of gold. It is good on the former Soviet Union and has some fine vignettes of the

despair and desperation of people who have grown up within the system. But the plot does not really sing.

The Third Trinity by Vitali Vitaliev and Derek Kartun (Hodder & Stoughton £15.99, 314pp) gives an interesting twist to the pre-eminence of the gangs in the Soviet territories by hanging the story on the discovery of a priceless icon: a third version of the Old Testament Trinity by Russia's greatest icon painter, the Black Monk, Andrei Rublev.

This enables the authors to provide two tales for the price of one, since there is skulduggery in the international art market and corruption in the former Soviet Union. It is convincing – but less than compulsively thrilling.

A third novel that the Soviet Union has broken-up book is *Darkness at Noon* by John Hands (Harper Collins £14.99, 236pp). This is the palest of the three and it is all about destabilisation of the Ukraine by Russian agents.

Two of these three books have been written by journalists but it is difficult to see the connection between a professional journalist's

grasp of the realities of a newly-opened up Soviet Union and a good thriller. Frederick Forsyth probably has a lot to answer for – arguably he did the worst disservice to journalists since Ernest Hemingway, because his crisp style makes it all seem so simple and creates the impression that any hack can write a best-seller and be free of the daily journalistic grind with one bound.

Working journalists often have problems with getting the pace right. James Adams is a case in point. His new novel, *Taking the Tunnel* (Michael Joseph £9.99, 404pp) combines corruption in Hongkong with a Channel Tunnel drama. Adams is described as a leading authority on covert warfare, terrorism, weapons and international relations. I am sure he is, but in this book the welter of specialist information acts as a brake on the action.

James Adams has also been described as the natural successor to Forsyth, but if anybody qualifies on the evidence of the current spate of books it is David Mason. *Shadow Over Babylon* (Bloomsbury £14.99, 484pp) has been much-hyped, and

deservedly so. It is about a plot to assassinate Saddam Hussein and is gripping from the word go. The writing is crisp and sharp. The misadventure is terrific. Even the sex scenes are not embarrassing.

Terence Strong's new book, *Stalking Horse* (Hodder & Stoughton £15.99, 368pp) is also about the Gulf War. It is a pity it has to compete with *Shadow Over Babylon*.

My find of the season, however, is Edna Buchanan. Her novel, *Condemned Under Pressure* (Simon & Schuster £14.99, 277pp) has as its heroine Brit Montero, a crime reporter for a Miami newspaper. As she pursues an apparently straightforward crime she becomes embroiled in racial tensions and riots.

Women detectives have become fashionable in US fiction lately. Crime and corruption in deteriorating US cities have been fuelling some excellent novelists, notably Elmore Leonard, George V. Higgins and Pete Dexter. Unlike them, Edna Buchanan's forte is not so much the ear for dialogue but the verisimilitude of her action descriptions and the almost Chandleresque bathos of her professional and personal problems. This is the first of her Brit Montero books. Good.

ART GALLERIES

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Fantastic years with the Oslo Phil

Mariss Jansons conducts the Oslo Philharmonic Orchestra at Salzburg tomorrow morning, at the Usher Hall, Edinburgh, on August 22, London's Royal Albert Hall on August 23 and 24, Lucerne on August 26 and 27, and Birmingham's Symphony Hall on August 31. The tour soloists are Yuri Bashmet and Midori.



Sponsored by English Estates.
The Other Place, Stratford-upon-Avon, until Sept 25

Andrew St George
The Liverpool Playhouse until
August 28

Radio 3's Saturday evening Studio Three play really was experimental this week; Steve May's *Testosterone / Sing* was set simultaneously on the walls of Troy and on some English village cricket ground. The events at each place have much in common. Among the Greeks, there is a contest between Ajax and Odysseus for Achilles' armour, and on the cricket-ground there is a dispute about whether Silk or Breeze shall open the bowling. There is most fun among the Greeks, where Odysseus and his mates spy on Ajax's "unseemable" treatment of goats, after a vision of Pallas has questioned his marriage to ugly Tecmessa. Cricketers are content with more usual sexual encouragement. Finally the Chorus, singing two parts, calls for the extinction of a material, all who take either sport or war too seriously. A just conclusion indeed, and amusing if not too serious comment. Richard Wortley directed.

Victor Price
